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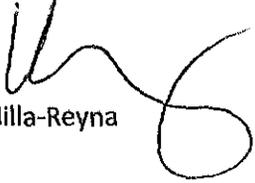
January 2, 2015

This letter is in reference to the order of revocation # 14-0196 that was issued on October 31, 2014. I am requesting a hearing on the basis that the information on the order is inaccurate. Although I have not been in the insurance industry since April of last year, and I have no plans to return, this order has affected me tremendously. I lost my recent job as a processor because of this revocation and false accusations. I have also been unable to obtain any other employment, when I have been offered a position, it gets rescinded after this shows up in a background check. I have never been in any trouble, I have never broken the law, all these accusations were made after I left State Farm. They launched a campaign to smear my name in an attempt to keep my former clients. The decision was made based on interviews made with people that I had terminated from employment at my office, or had something to gain from slandering me. There were many who wanted my position and did not get it, this includes many State farm clients, so in retaliation, they said things that were untrue. When I gave State Farm my resignation in August of 2011, they made every attempt to keep me employed with them. It was only after they knew that I would no longer go back with them and that I would work for other insurance companies that they began to retaliate and threaten me. My last day was on December 30, 2011, and on the 4<sup>th</sup> of January, 2012, they wrote a letter to the commissioner that I did all these things, that was a fabrication.

You also mentioned that I specifically told clients that we did not take cash or checks, quite the opposite, our goal was to have all clients on autopay and eliminate cash payments completely. We always asked to pay with debit or credit cards and set it up automatically. Even though I very seldom took a payment in my office, this is absurd, and it was policy that everyone got a receipt, whether they paid cash, debit or check, everyone was given a receipt. If my staff did not give a signed receipt, 1<sup>st</sup> was a warning, 2<sup>nd</sup> time was grounds for termination. Of course we had clients come in and tell us that other State farm agents encouraged them to make these false statements and attest to them, in exchange they were told they would not have to pay one month and on some occasions two months of their premium, there were more than several people who told us this was happening at the State Farm Agencies. The only time we used our office address for clients was when they did not have an address. Many times we had transient workers who lived at the mission or elsewhere but needed to obtain insurance for their vehicle, on these occasions we did use our office address, and I had talked to the field manager and he advised me this was okay to do. As far as entering wrong information, over the course of writing thousands of policies and having several employees, mistakes are made, it is human error. I am sure if you went to any agency on any given day, there will be errors made on policies, whether it is because of human error or clients not giving you the correct information.

In reference to Mr. Torres, this was one of my first attempts to write business through a broker, It did not help that this broker had different offices and was in the process of changing finance companies, all that made for a frustrating, confusing situation for all parties involved. I wrote the policy and was told that Appalacian was no longer providing financing, that we would need to obtain our own, which I did. I faxed the application for the business insurance and also submitted online, I was not aware that this would trigger two policies being issued for the same client. Over the next few months I spent hours on the phone with Appalacian trying to sort it out, every time I sent the down payment and the premium finance funds, they were returned to our office with no explanation. When we would call, they would tell us that the policies were in force and transfer us to other offices were no one was able to give us a good explanation. I kept Mr. Torres informed through the entire process and advised him to change companies because this one was very frustrating to work with. He agreed and we transferred his business to a new company. I called IPFS and returned the premium finance check, they sent it back to our office, I told them that I had changed companies for Mr. Torres and they had internal financing. I knew this whole situation was not correct and did not feel that Appalacian was the best place for them, I made the suggestion to move them, after which I was still being billed for two policies for the same client. Mr. Torres address was inverted initially, but we correct it, he began receiving his notices after that. There were many errors and frustration with this situation and it was not all attributed to our office and inexperience with brokers, but all parties involved, if someone would have helped us instead of transferring us several times during the times we tried to resolve this, I believe it would have been taken care of in a matter of days, but that is not what happened.

In all, all the accusation made by State Farm are deliberate and for a purpose, not to say that myself or anyone in my office ever made a mistake, every office makes mistakes, but they are deeply misrepresented and as a result I had to file legal action against them, they agreed to settle out of court, part of the agreement was that they were to discontinue making these slanderous, false allegations. I cannot go to Olympia because as a result of losing my job in light of this revocation, I no longer have a reliable vehicle to make the trip. I am in dire financial straits and unable to secure employment, Yakima is a small town and the State Farm agents have been very efficient in getting the word out to potential employers about the revocation, even though they know the statements they made were false. This has caused financial hardship to me and my family as I am currently unemployed and the outlook is not good, I am danger of losing my home in the next few months as I have spent anything I had in savings and retirement defending myself from State farm. For these reasons, I am asking for a hearing and reconsideration, it is evident the agenda that State Farm had, I was cautiously optimistic that your office would see through it, but I was wrong. I understand now that only those with deep pockets can obtain justice. I ask you for reconsideration, thank you.

  
Karla Padilla-Reyna

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5 **STATE OF WASHINGTON**  
6 **OFFICE OF THE INSURANCE COMMISSIONER**

7 *In the Matter of*

8 KARLA PADILLA REYNA,

9  
10 and

11 KPR INSURANCE & FINANCIAL  
12 SERVICES,

13 Respondents.  
14

Order No. 14-0196  
WAOIC No. 195244  
NPN 7313584

WAOIC# 706416  
FEIN 20-2438027

ORDER REVOKING LICENSE

15  
16 To: Karla Padilla Reyna  
17 KPR Insurance & Financial Services  
18 815 North 1st  
19 Yakima, WA 98901  
20 kpr@insproagencies.com

21 **IT IS ORDERED AND YOU ARE HEREBY NOTIFIED** that your  
22 Washington State insurance producer license is **REVOKED**, effective October 31,  
23 2014, pursuant to RCW 48.17.530 and RCW 48.17.540(2).

24 **BASIS:**

25 1. KARLA PADILLA REYNA has held a Washington resident insurance  
26 producer license since June of 2002. She is also the Designated Licensed Responsible  
27 Person ("DLRP") for KPR INSURANCE AND FINANCIAL SERVICES, the  
28 business entity named above (hereinafter referred to collectively with KARLA  
29 PADILLA REYNA as "Padilla Reyna"). The business entity has been licensed since  
30 May of 2007.

1           2.     Padilla Reyna obtained a general liability insurance policy for Miguel  
2 Torrez (“Torrez”)’s business, Quality Plastering, through Republic Vanguard  
3 Insurance Company. Padilla Reyna placed the policy through Appalachian  
4 Underwriters (“AU”), which was financed by the premium financing company  
5 Imperial Premium Finance Services (“IPFS”).

6           3.     Torrez was to pay a down payment of \$1,485 with the remainder of the  
7 premium, \$3,422.25, to be financed by IPFS.

8           4.     Torrez gave Padilla Reyna a check in the amount of \$1,485 as the down  
9 payment on his general liability insurance policy. Padilla Reyna deposited the check.  
10 AU never received the down payment and Padilla Reyna was unable to produce any  
11 documents proving she sent the monies to AU. Due to this failure to forward the down  
12 payment, the policy was cancelled for non-payment. Padilla Reyna had entered an  
13 incorrect address for Torrez on the insurance policy so Torrez never received  
14 cancellation notices and did not know he was without insurance. Padilla Reyna never  
15 informed Torrez that his policy had been cancelled for non-payment.

16           5.     IPFS has multiple offices and the Torrez account was set up in two  
17 different locations. Both locations sent the financed amount to AU for payment of the  
18 premium. AU sent the second check back to the Spokane IPFS office with a notation  
19 that the premium had already been paid.

20           6.     Based on the returned check, IPFS erroneously assumed that Padilla  
21 Reyna had paid the full amount of \$3,422.25 to AU and so IPFS sent Padilla Reyna a  
22 reimbursement check for \$3,422.25.

23           7.     Padilla Reyna cashed the reimbursement check, even though she had not  
24 paid any amount of Torrez’s premium, and even though AU had previously sent an  
25 email to Padilla Reyna, requesting she send the check back to IPFS.

26           8.     IPFS notified Padilla Reyna that the check for \$3,422.25 was sent to her  
27 in error and that Padilla Reyna owed IPFS the balance on the account. However, Padilla  
28 Reyna ignored requests to discuss the repayment and the account was sent to a  
29 collections agency. Padilla Reyna only started to pay IPFS back, in small amounts and  
30 irregularly, when the company threatened to file a complaint with the OIC.

1           9.     Padilla Reyna also repeatedly violated the insurance code with her  
2 business practices. State Farm Mutual Automobile Insurance Company (“State Farm”)  
3 performed an internal investigation of Padilla Reyna for numerous alleged violations of  
4 the insurance code, including fraud, comingling of funds, keeping premium payments,  
5 using unlicensed producers, and forgery. Based on its investigation, State Farm  
6 terminated her appointment for cause.

7           10.    Padilla Reyna utilized unlicensed producers in her agency. The report  
8 provided by State Farm states that Erika Aracena (“Aracena”) and Teresa Rocha  
9 (“Rocha”) either used the system to generate quotes or submitted applications. Rocha  
10 admitted that Padilla Reyna taught her how to access the State Farm system to quote  
11 policies, write applications, and explain coverage to clients. Rocha could not remember  
12 how many policies she quoted. Rocha has never been licensed as an insurance producer.  
13 Aracena has never been licensed as an insurance producer.

14           11.    Several consumers paid Padilla Reyna their premium in cash at her office  
15 only to have their policy cancelled or learn that they never obtained insurance at all.  
16 Padilla Reyna told at least some of these clients that they could not pay with checks or  
17 credit cards, and had to pay cash, telling them it was common practice and State Farm  
18 policy. They did not get a receipt because Padilla Reyna told them they did not need  
19 one.

20           12.    Other consumers were in late payment status and did not know why  
21 because they also went into Padilla Reyna’s office every month and made payment by  
22 giving her the money. Still other clients were accustomed to paying into a pre-  
23 authorized checking account (“PAC”) that belonged to Padilla Reyna, not the clients.  
24 These funds were not forwarded to State Farm.

25           13.    Padilla Reyna issued policies using Padilla Reyna’s office or home  
26 address and phone number as the clients’ address or as the billing address for the policy.  
27 Padilla Reyna told at least some policyholders that this arrangement would result in a  
28 lower premium. As a result, it was difficult for State Farm to contact the policyholders  
29 once Padilla Reyna’s appointment was terminated. Other basic client information was  
30 entered inaccurately, such as dates of birth.

1           14. Padilla Reyna failed to follow applicable underwriting guidelines when  
2 she insured some properties whose condition made them obviously ineligible for the  
3 coverage issued, such as damaged or deteriorating roofs. Furthermore, in many of  
4 Padilla Reyna's homeowner policies, the pictures that were in the file and sent to State  
5 Farm were not of the home being insured.

6           15. Padilla Reyna wrote policies incorrectly in other ways. State Farm  
7 requires all drivers at the policyholder address to be listed on an auto policy. However,  
8 among Padilla Reyna's former clients, insured households contained people that were  
9 not listed and not supposed to be in the home, causing problems when State Farm would  
10 receive a claim with one of the unlisted individuals living in the home that was not the  
11 insured. For instance, State Farm found that, for one of Padilla Reyna's policies, one  
12 driver was listed but ten people were living in the home. Other policyholders were listed  
13 as the named insured but had no legal interest in the vehicle being insured, and therefore  
14 had no insurable interest.

15           16. RCW 48.17.530(1)(d) gives the Insurance Commissioner authority to  
16 revoke the license of a licensee for improperly withholding, misappropriating, or  
17 converting any moneys or properties received in the course of doing insurance  
18 business.

19           17. When Padilla Reyna retained the cash and checks that her clients paid  
20 her, instead of forwarding the cash or checks properly or using the funds to pay the  
21 premiums for the clients' policies, she improperly withheld, misappropriated, or  
22 converted her clients' monies received in the course of doing insurance business,  
23 justifying the revocation of her license under RCW 48.17.530(1)(d).

24           18. RCW 48.17.530(1)(h) gives the Insurance Commissioner authority to  
25 revoke the license of a licensee who is found to be using fraudulent, coercive, or  
26 dishonest practices, or demonstrating incompetence, untrustworthiness, or financial  
27 irresponsibility in this state or elsewhere.

28           19. When Padilla Reyna retained the cash and checks that her clients paid  
29 her, instead of forwarding the cash or checks properly or using the funds to pay the  
30 premiums for the clients' policies; issued policies using Padilla Reyna's office or

1 home address and phone number as the clients' address or as the billing address for the  
2 policy; utilized unlicensed producers in her agency to generate quotes or submit  
3 applications; insured households without listing all drivers at the policy holder address  
4 on an auto policy; and issued coverage to consumers who did not have any legal or  
5 insurable interest in the vehicle being insured; Padilla Reyna used fraudulent, coercive,  
6 or dishonest practices, or demonstrated incompetence, untrustworthiness, or financial  
7 irresponsibility, justifying the revocation of her license under RCW 48.17.530(1)(h).

8 20. RCW 48.17.480(2) requires that all funds representing premiums or  
9 return premiums received by an insurance producer shall be received in the insurance  
10 producer's fiduciary capacity, and shall be promptly accounted for and paid to the  
11 person entitled thereto. When Padilla Reyna retained the cash and checks that her  
12 clients paid her, instead of forwarding the cash or checks properly or using the funds  
13 to pay the premiums for the clients' policies, Padilla Reyna violated RCW  
14 48.17.480(2).

15 21. Under RCW 48.17.480(3), any licensee who receives funds which  
16 belong to or should be paid to another person as a result of or in connection with an  
17 insurance transaction receives the funds in a fiduciary capacity and must promptly  
18 account for and pay the funds to the person entitled to the funds. When Padilla Reyna  
19 retained the cash and checks that her clients paid her, instead of forwarding the cash or  
20 checks properly or using the funds to pay the premiums for the clients' policies,  
21 Padilla Reyna violated RCW 48.17.480(3).

22 22. RCW 48.17.530(1)(b) gives the Insurance Commissioner authority to  
23 revoke the license of a licensee for violating any insurance laws, or violating any rule,  
24 subpoena, or order of the Commissioner. Padilla Reyna's multiple violations of RCW  
25 48.17.480(2) and RCW 48.17.480(3) justify the revocation of her license under RCW  
26 48.17.530(1)(b).

27 **IT IS FURTHER ORDERED** that you return your insurance producer license  
28 certificate to the Insurance Commissioner on or before the effective date of the  
29 revocation, as required by RCW 48.17.530(4). Return your license to:

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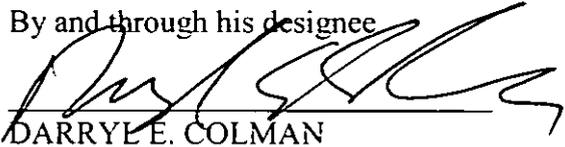
Licensing Manager  
Office of the Insurance Commissioner  
P O Box 40257  
Olympia, WA 98504-0257.

EXECUTED this 13th day of October, 2014 in Tumwater, Washington.



MIKE KREIDLER  
Insurance Commissioner

By and through his designee



DARRYL E. COLMAN  
Insurance Enforcement Specialist  
Legal Affairs Division

**NOTICE OF YOUR RIGHT TO A HEARING**

If you are aggrieved by this Order, RCW 48.04.010 permits you to demand a hearing. You must demand a hearing in writing within 90 days after the date of this Order Revoking License or you will waive your right to a hearing.

*If the Insurance Commissioner receives your demand for a hearing before the effective date listed on the order revoking your license, the revocation will be automatically stayed (postponed) and your license will remain in effect pending the hearing.*

Your demand for a hearing should be sent to the following address and must briefly state how you are harmed by this decision and why you disagree with it:

Hearing Unit  
Office of the Insurance Commissioner  
PO Box 40255  
Olympia, WA 98504

You will be notified of the time and place of your hearing. If you have questions about filing a demand for hearing or the hearing process, please telephone the Hearing Unit at (360) 725-7002 or send an email to [HearingsU@OIC.wa.gov](mailto:HearingsU@OIC.wa.gov).

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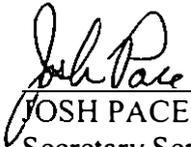
**CERTIFICATE OF MAILING**

The undersigned certifies under the penalty of perjury under the laws of the state of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the state of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action, and competent to be a witness herein.

On the date given below I caused to be served the foregoing Order Revoking License on the following individual via US mail and Email.

Karla Padilla Reyna  
KPR Insurance & Financial Services  
815 North 1st  
Yakima, WA 98901  
kpr@insproagencies.com

Dated this 13th day of October, 2014 in Tumwater, Washington.

Signed by:   
\_\_\_\_\_  
JOSH PACE  
Secretary Senior