

**NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA**

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**STATE OF NORTH CAROLINA
COUNTY OF WAKE**

**BEFORE THE COMMISSIONER
OF INSURANCE**

**IN THE MATTER OF THE LICENSURE
OF BARTON J. BAKER
LICENSE NO. 15292463**

**VOLUNTARY SETTLEMENT
AGREEMENT**

NOW COME, Barton J. Baker (hereinafter “Mr. Baker”) and the Agent Services Division of the North Carolina Department of Insurance (hereinafter “Agent Services Division”), and hereby voluntarily and knowingly enter into the following Voluntary Settlement Agreement (hereinafter “this Agreement”).

WHEREAS, the Agent Services Division regulates and licenses insurance agents in North Carolina; and

WHEREAS, Mr. Baker currently holds a resident broker’s license and a resident producer’s license with authority for Personal Lines, Property, and Casualty lines of insurance issued by the North Carolina Department of Insurance; and

WHEREAS, Mr. Baker is the owner and designated responsible licensed producer for Baker-Pegram Insurance, LLC (hereinafter “Baker-Pegram”), a North Carolina limited liability company which holds a business entity insurance producer license issued by the North Carolina Department of Insurance; and

WHEREAS, N.C. Gen. Stat. § 58-33-46(a)(8) authorizes the North Carolina Insurance Commissioner to suspend, revoke, place on probation, or refuse to renew any license should a licensee “us[e] fraudulent, coercive, or dishonest practices” or “demonstrat[e] incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this State or elsewhere.”

WHEREAS, a targeted examination conducted by Agent Services Division on January 22, 23, and 24, 2020 (the “Examination”) identified 87 separate occurrences between November 2017 and November 2019 where a purported premium payment was uploaded by Mr. Baker and employees of Baker-Pegram to an insurer’s electronic payment system but a “draft correction” was subsequently made, usually on the next day and in the same amount as the original draft, backing out the uploaded payment; and

WHEREAS, the Examination found that the 87 “draft corrections” all related to insurance policies written for 15 Baker-Pegram commercial trucking clients that were in “cancel-pending” status; and

WHEREAS, by uploading the purported premium payments and then submitting “draft corrections” backing-out the payments, Mr. Baker and Baker-Pegram prevented the policies from cancelling due to non-payment and triggered the insurer’s electronic payment system to provide the insureds additional time, typically 35 days, to make their payments before cancellation of the policies; and

WHEREAS, a review of Baker-Pegram’s transaction daily reports during the Examination found no receipts, transmittals, or deposit tickets to evidence that Mr. Baker or Baker-Pegram received corresponding premium payments from the 15 commercial trucking clients before the 87 purported premium payments were uploaded to, and then backed-out of, the insurer’s electronic payment system; and

WHEREAS, Mr. Baker admits that Mr. Baker’s and Baker-Pegram’s repeated manipulation of the insurer’s electronic payment system to falsely indicate that premium had been received when, in fact, no premium had been received, is a dishonest practice demonstrating untrustworthiness and financial irresponsibility in the conduct of business in this State that would otherwise justify adverse administrative action against the licenses of Mr. Baker and Baker-Pegram under N.C. Gen. Stat. § 58-33-46(a)(8); and

WHEREAS, 11 N.C. Admin. Code 4.0429 entitled “Commingling” requires that “[t]he accounting records maintained by agents, brokers, and limited representatives shall be separate and apart from any other business records and demonstrate at all times that collected funds due to insurers and return premiums due to policyholders are available at all times[;]” and

WHEREAS, the Examination found that Baker-Pegram’s premium account bank statements for the period between 2017-2019 reflected numerous withdrawals and payments unrelated to Baker-Pegram’s insurance business, including among other transactions, a \$10,370 jewelry purchase on May 31, 2019, a \$55,000 reimbursement to Mr. Baker’s father for the purchase of a bail bond on June 17, 2019, and a \$12,160.25 payment to a construction subcontractor of Mr. Baker’s roommate on May 1, 2018; and

WHEREAS, the Examination found that all monies used to fund such unrelated withdrawals and payments from the premium account were subsequently replaced into the premium account by Mr. Baker or Baker-Pegram; and

WHEREAS, the Examination found two instances in 2019 where returned customer checks caused Baker-Pegram’s premium bank account to have a negative balance such that collected funds due to insurers and return premiums due to policyholders were not available at all times; and

WHEREAS, Mr. Baker admits that Mr. Baker’s and Baker-Pegram’s repeated use of funds in Baker-Pegram’s premium bank account for transactions unrelated to Baker-Pegram’s insurance

business and failure to maintain a positive balance in Baker-Pegram's premium bank account such that collected funds due to insurers and return premiums due to policyholders were available at all times constitute violations of 11 N.C. Admin. Code 4.0429; and

WHEREAS, N.C. Gen. Stat. § 58-33-46(a)(2) provides that the Commissioner may place on probation, suspend, revoke, or refuse to issue or renew any license issued under Article 58 of the General Statutes of North Carolina for violating any insurance law of this or any other state, violating any administrative rule, subpoena, or order of the Commissioner or of another state's regulator; and

WHEREAS, Mr. Baker admits that Mr. Baker's and Baker-Pegram's violations of 11 N.C. Admin. Code 4.0429 would otherwise justify adverse administrative action against the licenses of Mr. Baker and Baker-Pegram under N.C. Gen. Stat. § 58-33-46(a)(2); and

WHEREAS, N.C. Gen. Stat. § 58-33-26(a) provides that "[n]o person shall act as or hold himself or herself out to be an agent, broker, limited representative, adjuster, or motor vehicle damage appraiser unless duly licensed[.]" and

WHEREAS, pursuant to N.C. Gen. Stat. § 58-33-26(a) and its implementing regulations, the preparation and production of certificates of insurance are activities that can only be accomplished by individuals duly holding active North Carolina insurance producer licenses or North Carolina insurance broker licenses, while delivery of certificates of insurance may be made by unlicensed persons at the direction of a licensed producer; and

WHEREAS, the Examination found that unlicensed customer service representatives at Baker-Pegram had prepared and produced certificates of insurance to existing clients; and

WHEREAS, Mr. Baker admits that allowing unlicensed Baker-Pegram customer service representatives to prepare and produce certificates of insurance to existing customers violated N.C. Gen. Stat. § 58-33-26(a); and

WHEREAS, Mr. Baker admits that Baker-Pegram's violations of N.C. Gen. Stat. § 58-33-26(a) would otherwise justify adverse administrative action against the licenses of Mr. Baker and Baker-Pegram under N.C. Gen. Stat. § 58-33-46(a)(2); and

WHEREAS, pursuant to N.C. Gen. Stat. § 58-2-70(g), Agent Services Division, as an authorized designee of the Commissioner of Insurance, has express authority to negotiate a mutually acceptable agreement with any person as to the status of the person's North Carolina insurance license, or as to any civil penalty or restitution; and

WHEREAS, Mr. Baker has agreed to settle, compromise, and resolve the matters referenced in this Agreement on behalf of himself, and the Agent Services Division has agreed not to pursue additional civil ramifications, including penalties, sanctions, remedies, or restitution based on these matters against Mr. Baker; and

WHEREAS, this Agreement is civil in nature and does not preclude criminal prosecution that may result from investigations, if any, conducted by the North Carolina Department of Insurance's Criminal Investigation Division for violation of criminal laws; and


WHEREAS, the parties to this Agreement mutually wish to resolve this matter by consent before the Agent Services Division initiates an administrative hearing; and have reached a mutually agreeable resolution of this matter as set out in this Agreement.

NOW, THEREFORE, in exchange for the consideration and promises and agreements set out herein, Mr. Baker and the Agent Services Division hereby agree to the following:

1. Mr. Baker agrees to a six (6) month suspension of his North Carolina resident broker's license and his North Carolina resident producer's license beginning on August 1, 2021. During this six month period, Mr. Baker shall not engage in activities requiring a North Carolina insurance broker license or a North Carolina insurance producer license. Mr. Baker may engage in administrative activities that do not require a license.
2. Immediately upon the signing of this Agreement, Mr. Baker shall pay a civil penalty of five thousand dollars (**\$5,000.00**) to the Agent Services Division. The form of payment shall be by certified check, cashier's check or money order. The check or money order for the payment of this civil penalty shall be payable to the "North Carolina Department of Insurance." Mr. Baker shall remit the civil penalty by hand delivery, U.S. Priority Mail or designated delivery service (e.g., UPS, Federal Express, etc.) providing a tracking number to Agent Services Division together with the original copy of this Agreement signed by Mr. Baker. **The civil penalty and the signed Agreement must be received by the Department no later than Friday, July 30, 2021.** The civil penalty shall be subject to disbursement in accordance with the provisions of Article IX, Section 7 of the North Carolina Constitution for the benefit of public schools.
3. On or before February 1, 2022, Mr. Baker agrees to complete six (6) hours of insurance continuing education credit in the ethics category. This required six hours of ethics ICEC shall be in addition to, and will not be credited towards, the completion of any other continuing education requirements due to be completed by Mr. Baker during the current biennial compliance period.
4. This Agreement does not in any way affect the North Carolina Department of Insurance's or the Agent Service Division's disciplinary power in any future examination of Baker-Pegram, or in any other complaints involving Mr. Baker or Baker-Pegram.
5. Mr. Baker enters into this Agreement, on behalf of himself, freely and voluntarily and with the knowledge of his right to have an administrative hearing on this matter. Mr. Baker understands he may consult with an attorney prior to entering into this Agreement.
6. The parties to this Agreement agree that this Agreement shall have the full force and effect of an Order of the Commissioner. Mr. Baker understands that N.C.G.S. § 58-33-46(a)(2)


provides that an insurance producer's or broker's license may be revoked for violating an Order of the Commissioner.

7. This Agreement, when finalized, will be a public record and will **not** be held confidential by the North Carolina Department of Insurance or the Agent Services Division. Following the execution of this Agreement, all licenses issued by the North Carolina Department of Insurance to Mr. Baker shall reflect that Regulatory Action has been taken against him. The North Carolina Department of Insurance is free to disclose the contents of this Agreement with third parties upon request or pursuant to any law or policy providing for such disclosure. The North Carolina Department of Insurance routinely provides copies of voluntary settlement agreements to all companies that have appointed the licensee.
8. The parties have read and understand this Agreement and agree to abide by the terms and conditions stated herein.
9. Be aware that if a state or federal regulator other than the North Carolina Department of Insurance has issued an occupational or professional license to you, that regulator may require you to report this administrative action to it. The North Carolina Department of Insurance cannot give you legal advice as to the specific reporting requirements of other state or federal regulators.


Barton J. Baker
N.C. License No. 15292463

Date: 7/20/2021

**AGENT SERVICES DIVISION OF THE
NORTH CAROLINA DEPARTMENT OF INSURANCE**

By: 
Angela Hatchell
Deputy Commissioner of the Agent Services Division

Date: 8/3/2021