



TDI's Compliance Conferences to Double In Size and Scope

TDI'S COMPLIANCE CONFERENCES will be held October 30, 2006 through November 1, 2006 at the Doubletree Hotel in Austin. The conferences are held every other year between state legislative sessions as a way for the industry to meet with TDI regulators and find out exactly what is expected of them regarding the state's regulatory requirements and laws. Topics covered include rate filings, how to properly complete forms, recently enacted rules, TDI's complaint process and the latest warnings about insurance fraud.

TDI's Deputy Commissioner of the Filing and Operations Division, Angelia Johnson reports that this year's compliance events will be much more dynamic than past efforts. The two Compliance Conferences, one for Property and Casualty and one for Life, Health and Licensing, have been specifically redesigned to be more interactive, rather than having lecture style presentations.

"The changes being made to the workshops are a direct response to what the industry representatives said they wanted, and needed, from the conference," said Johnson.

Earlier this year TDI held several industry input sessions to better gauge the effectiveness of past Compliance Workshops.

"What we discovered from those sessions is that attendees wanted more opportunities to ask specific questions. They wanted more of a 'how-to' approach in regard to everything from data-calls to filling out everyday required forms."

Carriers often want to know why a particular filing gets rejected. Typically, the answer is because some part of that filing is missing or submitted incorrectly. Johnson says for several years now, TDI has developed and posted filing checklists that are available to guide carriers through the required elements of various filings. Many of those who participated in the

feedback events said they were unaware that these filing checklists existed or where to find them. Johnson says identifying and correcting that kind of informational disconnect is critical to improving efficiencies at both the Department and in the insurers' compliance offices.

"We're always ready to answer questions about forms and filings as they come in, but if the statutory requirements and administrative rules are clearly explained for everyone involved it would take care of many of their questions."

In the past the Compliance Workshops have been limited to two participants from each company. This year's event will allow each company to send an additional representative to Austin. Attendance is expected to grow from 200 participants per session to around 350 per session. And with a day-and-a-half for each event, the number of topics covered will also grow, allowing TDI staff to cover more ground.

There will be 15 individual sessions offered at the Property and Casualty Compliance Conference and 19 sessions at the Life, Health and Licensing Compliance Conference.

This year's Compliance Conference also features an electronic registry to improve efficiency and communication. And in another move toward modernization and sheer physical ease, the traditional four-inch thick binders of course materials will be replaced by a single computer disc. Many past attendees said while

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TDI's Compliance Conferences

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it was valuable to have the course materials to share with colleagues, carrying those big binders around all day was a physical challenge. The move away from paper will also save TDI thousands of dollars in printing costs, increasing efficiency and allowing participants to actually walk away with even more useful information than they have received in previous years.

Having this year's Compliance Conferences in a hotel necessitated a registration fee for the first time in the event's history. The cost is \$130 per person, much lower than what other states charge for their compliance events. Johnson says having the Conference at the hotel venue also allows for increased efficiencies for participants who will be able to find food and beverages on site.

One of the most valuable elements of the TDI Compliance Workshops has always been the opportunity it affords participants to meet face to face with the regulators they deal with throughout the year, but usually only on the phone. Recognizing the value in this one-on-one time led planning staff to include a new reception session as well as roundtable events at both conferences. The roundtable events will have TDI staff at several tables in a large room, allowing participants to ask questions and get the answers they need to achieve their compliance goals.

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By necessity, summaries of proposed and adopted rules cannot explain their full complexity. Readers interested in complete information about administrative rules should consult the versions published in the Texas Register.

To the best of the staff's ability, information presented in this newsletter is correct as of the publication date, but scheduled dates and proposed rules and amendments may change as the adoption process goes forward.



Texas Select Lloyds Update

TEXAS SELECT LLOYDS INSURANCE COMPANY (TX Select) was placed into Receivership for Liquidation by order of the Travis County District Court on August 1, 2006. TX Select had been the 6th largest writer of homeowners insurance in the State of Texas. This story looks back over the last few months of TX Select's existence and the status of the Receivership estate in September, 2006.

In the past few years, the Group experienced significant internal control issues and major losses from hurricanes in Florida.

TX Select was part of a group of seven insurance and various non-insurance companies headquartered in Birmingham, Alabama. The seven insurance companies initially consisted of four in Illinois, one in Texas, one in Florida and one in Hawaii domesticated companies. All of the companies were under the ultimate holding company Vesta Insurance Group, Inc. (Group) formerly traded on the NYSE. In the past few years, the Group experienced significant internal control issues and major losses from hurricanes in Florida. The Group engaged an outside firm to help review and correct its internal control program, and by early 2006 the Group was pursuing capital raising initiatives, including the sale of TX Select. In March 2006 A.M. Best downgraded the Group to C++. At that time, TX Select was the only Texas domestic company, and the Texas Department of Insurance (TDI) was not the lead state regulator for the group.

Vesta operated its companies as a group, with many intercompany relations, and operations – employees and facilities – resided in J. Gordon Gaines, a non-insurance subsidiary of Vesta Insurance Group, Inc. Organizationally, six of the insurance companies were held under an intermediate holding company, Vesta Fire Insurance Company (Vesta Fire), an Illinois domestic. From March to May, TDI sought the redomestication of Vesta Fire to Texas, for the purpose of a more consolidated regulatory effort. As a result of those efforts, the four Illinois insurance companies, including Vesta Fire, redomesticated to Texas in May, 2006.

Before and particularly after the redomestications, TDI was in regular contact with company board members and management, pressing for the transaction that would bring new capi-

tal to certain of the insurance companies. A number of interested parties gave proposals, and the Vesta Board of Directors engaged an outside investment banking firm to assist with its evaluation of the proposals. When it became apparent in June that an agreement to infuse new capital was not going to materialize in a timely manner and that the respective companies were not going to be successful in obtaining renewal reinsurance that was critical to insuring the protection of all policyholders, TDI sought and ultimately obtained a consent to rehabilitation. On June 28, 2006, an Order of Rehabilitation was issued by the Travis County District Court.

The Order of Rehabilitation placed the Commissioner as Receiver in control of the five Texas insurance companies as well as a sixth company, the Attorney-in-Fact of TX Select. The Receiver pursued dual tracts – contracting with a Special Deputy Receiver (SDR) for operating the companies, and an exhaustive process to pursue the sale of TX Select and certain other insurance companies, with the goal of placing as many policyholders as possible with a financially sounder insurer as quickly as possible. The Receiver contracted with the selected SDR, Prime Tempus, Inc. on July 5, 2006.

The convergence of the take-over, the SDR's onsite activities and evaluation, and the negotiations for a sale of companies led to the conclusion that a sale and/or rehabilitation was not an option. This conclusion was reached only after a thorough review of options and assessment of acceptable risk to the policyholders of the respective companies. Multiple factors including the lack of liquidity and an inability to obtain reinsurance lead to the conclusion. As soon as this determination was made, the Receiver began the process of canceling policies and taking the steps necessary to move to the liquidation of TX Select and other TX-domiciled Vesta insurance companies. The Receiver also entered into an assumption agreement for certain policyholders that allowed those policyholders electing the assumption to continue their insurance coverage uninterrupted for the full term of their TX Select policy. This option was intended to assist both the policyholders and the agents in identifying insurance coverage alternatives.

TDI sought and ultimately obtained a consent to rehabilitation.

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The Receiver's petition for Liquidation originally went to hearing before the Special Master of the Travis County District Court on July 24, 2006, and the hearing was continued to July 31, 2006. An Order of Liquidation for TX Select, Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company, and The Shelby Insurance Company was issued on August 1, 2006. Vesta Insurance Corporation continues operating under an Order of Rehabilitation.

multiple notices to agents, multiple notices to policyholders, and notices to mortgagees of policyholders. TDI's Con-sumer Hotline established extended hours for responding to calls and complaints. TDI has hosted weekly

Information regarding TX Select and the Vesta companies continues to be available on TDI's website at www.tdi.state.tx.us.

conference calls with outside parties such as trade associations, agent association, Office of Public Insurance Council, TPCIGA, etc. to allow for open communications between these parties, TDI, and the SDR. In addition, since July TDI's website has provided extensive information for the public and all stakeholders as that information became available; information regarding TX Select and the Vesta companies continues to be available on TDI's website at www.tdi.state.tx.us.

Subsequent to TX Select and its affiliate insurance companies being placed into Receivership in Texas, Vesta Insurance Group, Inc. and J. Gordon Gaines its insurance management subsidiary that handled all insurance company operations have been the subject of bankruptcy proceedings in Alabama. The other two Vesta insurance companies, Florida Select Insurance Company and Hawaii Insurance Group, have been placed in Rehabilitation and Liquidation, respectively, in Florida and Hawaii.

As provided by the various state laws, guaranty associations will refund unearned premium to policyholders.

The SDR began providing claims data to the twenty-seven affected guaranty associations across the country on

August 2, 2006, and has continued to provide updated information in multiple formats. The SDR has held weekly telephone conference calls with the National Counsel of Insurance Guaranty Funds, and is on schedule to provide unearned premium data to all guaranty funds in October. As provided by the various state laws, guaranty associations will refund unearned premium to policyholders; under Texas law, for example, the Texas Property and Casualty Insurance Guaranty Association (TPCIGA) covers unearned premium up to \$300,000 per policy. Once the SDR provides the unearned premium data, TPCIGA has indicated that it anticipates beginning to issue premium refunds on or before October 31, 2006.

Working with the SDR, TDI initiated a series of communications that included a press release,

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NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Addington, Jill Christine	Princeton	Acted as an escrow officer without being properly licensed	\$750 fine	060709	07/12/06
Barajas, Norma	Arlington	Failed to comply with continuing education requirements	\$1,500 fine; Must complete 15 hours of continuing education; License suspended	060796	07/28/06
Barrios, John	Magnolia	Failed to comply with Commissioner's Order	General Life, Accident, and Health License revoked	060698	07/05/06
Beal, Dameian	DeSoto	Failed to comply with Commissioner's Order	Limited Lines License revoked	060553	06/06/06
Bean, Pamela	Spring	Failed to comply with continuing education requirements	\$1,200 fine; Must complete 15 hours of continuing education; Insurance Adjuster License suspended	060797	07/28/06
Betts, Genevieve Serrette	Ada, OK	Failed to comply with Commissioner's Order	General Life, Accident and Health License revoked	060763	07/21/06
Blanks, Barbara Ann	Bryan	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer; Felony offense	Insurance Adjuster's license revoked, and application for General Life, Accident and Health License denied	060682	06/21/06

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Boston Mutual Life Insurance Company	Canton, MA	Misrepresented terms and conditions of insurance policies sold to military personnel	Multi-State Regulatory Settlement Agreement	060620	06/20/06
Brackens, Marc Gerard	Houston	Felony conviction	\$1,500 fine; Probated suspension of General Life, Accident and Health License	060703	07/07/06
Callahan, Judith Christine	Garrison	Misappropriated or converted money belonging to an insurer; Engaged in fraudulent or dishonest acts or practices	County Mutual Agent License revoked	060782	07/25/06
Carter, Rosalyn Grace	Houston	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	General Property and Casualty License revoked	060761	07/21/06
Crider, Norman E.	Houston	Failed to comply with continuing education requirements	\$1,500 fine	060710	07/12/06
Crider, Cherlyn Deffee	San Antonio	Engaged in fraudulent or dishonest acts or practices; Failed to timely respond to requests for information from TDI	General Property and Casualty License and General Life, Accident and Health License revoked	060731	07/14/06
Davenport, Deborah	San Antonio	Failed to comply with continuing education requirements	\$1,500 fine; Must complete 30 hours of continuing education	060711	07/12/06
Davila, Isidoro	Farmers Branch	Failed to comply with continuing education requirements	\$1,500 fine; Must complete 30 hours of continuing education	060712	07/12/06
Davis, Jack Martin	Dallas	Failed to comply with continuing education requirements	\$750 fine	060734	07/14/06
Deyo, Derek	Tomball	Unauthorized insurance; Materially misrepresented terms and conditions of an insurance policy	\$36,000 fine; Must complete 15 hours of continuing education	060759	07/21/06
Faz, Joaquin Xavier	San Antonio	Failed to comply with Commissioner's Order	General Life, Accident and Health License revoked	060732	07/14/06
Fox, Connie Robert	Montgomery	Failed to comply with continuing education requirements	\$1,500 fine	060721	07/13/06
Frazier, Jennifer	Corsicana	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Property and Casualty License revoked	060623	06/21/06
Fred Loya Insurance Agency. LP; Fred Loya Insurance Services, GP LLC	El Paso	Allowed employees to act as insurance agents without a license; Failed to timely respond to requests for information from TDI; Failed to register assumed name	\$10,000 fine	060619	06/20/06
Freeman, Jeffery Lee	Deer Park	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	General Property and Casualty License revoked	060707	07/10/06
Garcia, Tracy Ann	El Paso	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	\$5,935 restitution; County Mutual License revoked	060546	06/01/06
Garza, Armandina	San Antonio	Failed to comply with continuing education requirements	\$750 fine	060779	07/25/06
Gerber, William Fredrick Jr.	Wall	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured; Felony conviction	General Property and Casualty License revoked	060764	07/21/06
Gonzales, James	San Juan	Criminal offense	General Property and Casualty License issued conditionally	060760	07/21/06
Great Midwest Insurance Company	Houston	Failed to timely make available to policyholders a standard health benefit plan	\$4,500 fine	060727	07/14/06

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Guaranty Abstract Co., Throckmorton County, Inc.	Throckmorton	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	Title Insurance Agent License revoked; Must remit all policy guaranty fees owed	060576	06/08/06
Gutierrez, Jesus	Edinburg	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Life, Accident, and Health License and General Property and Casualty License revoked	060695	07/05/06
Hart, Christine	Princeton	Acted as an escrow agent without being properly licensed	\$1,500 fine	060792	07/28/06
Horton, Kelly Kolleen	Humble	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Property and Casualty License and General Life, Accident and Health License revoked; Restitution	060780	07/25/06
Jones, Tanya J.	Arlington	Failed to comply with continuing education requirements	\$,1500 fine; Must complete 30 hours of continuing education	060614	06/20/06
Jones, William A.	Houston	Failed to return advance commissions for numerous canceled policies	General Life, Accident and Health License revoked	060719	07/12/06
Kimbrough, Roosevelt Jr.	Wylie	Felony conviction; Engaged in fraudulent or dishonest acts or practices	General Property and Casualty License and General Life, Accident and Health License revoked	060694	07/05/06
Lafave, Terence	Houston	Acted as an agent for unauthorized entities; Engaged in fraudulent or dishonest acts or practices	\$70,000 fine; Restitution; General Life, Accident, and Health License revoked; Cease and Desist Order	060775	07/24/06
Landsberg, Phillip	Eules	Acted as an agent for unauthorized entities; Engaged in fraudulent or dishonest acts or practices	\$4,300 fine subject to a dollar-for-dollar reduction by restitution to \$1,300	060627	06/21/06
Lone Star Title Company of Cass County	Linden	Failed to timely remit title insurance policy guaranty fees; Failed to timely file an annual trust fund account audit report	\$6,250 fine	060713	07/12/06
Lone Star Title, Incorporated	Southlake	Failed to timely remit title insurance policy guaranty fees	\$2,400 fine	060757	07/21/06
Maddox, Cynda S.	Alice	Allegedly engaged in fraudulent or dishonest acts or practices; Allegedly misappropriated or converted money belonging to an insured	\$1,500 fine	060716	07/12/06
Marshall, Melvin Dean	Meadowlakes	Engaged in fraudulent or dishonest acts or practices; Materially misrepresented terms and conditions of an insurance policy	\$2,556,650 restitution; \$300,000 fine; General Property and Casualty License and General Life, Accident and Health License revoked	060724	07/14/06
Martinez, David	Mission	Misappropriated or converted money belonging to an insurer; Engaged in fraudulent or dishonest acts or practices	Insurance Adjuster License revoked	060776	07/24/06
Morgan, Laura Ann	Pasadena	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer	General Life, Accident and Health License revoked	060717	07/12/06
North Carolina Mutual Life Insurance Company	Durham, NC	Failed to timely make available to policyholders a standard health benefit plan	\$5,000 fine	060728	07/14/06
Northwest Title Company, Inc.; Carla Moore	Houston	Unauthorized insurance; Engaged in fraudulent or dishonest acts or practices	\$100,000 fine; Restitution; Cease and Desist order	060725	07/14/06
Nguyen, Brian	Houston	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	\$6,165 fine; General Life, Accident, and Health License revoked	060581	06/08/06
Oxford Farms, Inc. d/b/a King Abstract Company	Stephenville	Failed to timely remit title insurance policy guaranty fees	\$3,000 fine	060793	07/28/06

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Parker, James Vinson	Houston	Failed to comply with continuing education requirements	\$3,000 fine; Must complete 15 hours of continuing education	060544	06/01/06
Perez, Nelly Lara	San Angelo	Failed to comply with Commissioner's Order	Limited Lines License revoked	060549	06/02/06
Peoples Benefit Life Insurance Company	Cedar Rapids, IA	Issuing forms not approved by the Department	\$10,000 fine; Restitution	060714	07/12/06
Prueitt, Thell George	Spicewood	Engaged in fraudulent or dishonest acts or practices; Failed to notify TDI of an administrative action taken by another state regulator	General Property and Casualty License and General Life, Accident and Health License revoked	060545	06/01/06
Rogers, Timothy George	Little Elm	Engaged in criminal conduct involving moral turpitude	Application for a Limited Lines License denied	060629	06/21/06
Royal Indemnity Company	Charlotte, NC	Failed to timely file experience rating data	\$10,000 fine	060729	07/14/06
Rusling, Bruce Wayne	Porter	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	General Life, Accident and Health License revoked; \$3,418 Restitution	060798	07/28/06
Saunders, Iketha Simon	Beaumont	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Property and Casualty License, General Life, Accident and Health License and Insurance Adjuster License revoked; \$14,925 Restitution	060755	07/21/06
Saunders, Robert Phillip I	Beaumont	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	General Property and Casualty License and General Life, Accident and Health License revoked; \$11,694 Restitution	060762	07/21/06
Scott, Brady Don	New Braunfels	Failed to comply with continuing education requirements	\$1,500 fine	060794	07/28/06
Scott, Janice Marie	Houston	Convicted of felonies and engaged in dishonest acts	General Lines Life, Accident and Health License denied	060580	06/08/06
Service Life and Casualty Insurance Company	Austin	Failed to timely notify TDI prior to its change in status as a SEHG health carrier; Failed to offer policy holders a standard health benefit plan	\$7,500 fine	060543	05/31/06
Signature Title Company, Inc.	Plano	Failed to timely remit title insurance policy guaranty fees	\$3,000 fine	060736	07/14/06
Smith, Jeffrey Lynn	Clint	Misappropriated or converted money belonging to an insurer; Engaged in fraudulent or dishonest acts or practices	General Property and Casualty License and General Life, Accident and Health License revoked	060765	07/21/06
Slaton, Michael Franklin	Dallas	Failed to comply with continuing education requirements	\$1,500 fine; Must complete 30 hours of continuing education	060622	06/21/06
Stewart Title of Corpus Christi, Inc.	Corpus Christi	Failed to timely file required annual trust fund account audit reports	\$30,000 fine	060773	07/24/06
Stewart, Roy	Houston	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	\$2,000 fine	060771	07/24/06
String, Tamara Rashawn	Katy	Obtained a Title Insurance Escrow Officer License by misrepresentation	\$2,000 fine	060758	07/21/06
Strong, Mark Jame	Chicago, IL	Failed to timely file required Annual Agent reports for Risk Retention and Purchasing Groups (PG3)	\$3,000 fine	060774	07/24/06
Takacs, Scott	Artesia, NM	Engaged in fraudulent or dishonest acts or practices	General Life, Accident and Health License revoked	060777	07/24/06
Taylor, John Michael	Denison	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices; Felony conviction	Insurance Adjuster License cancelled	060795	07/28/06

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Taylor, Richard Park	Corpus Christi	Failed to comply with continuing education requirements	\$1,500 fine	060735	07/14/06
The Lincoln National Life Insurance Company	Hartford, CT	Taught continuing education courses with an expired provider registration and expired course certifications	\$14,600 fine	060726	07/14/06
Thomas, Jami Lee	Weatherford	Failed to comply with Commissioner's Order	\$562 fine; General property and Casualty License suspended for 4 months	060693	07/05/06
The Guardian Life Insurance Company of America	New York, NY	Failed to file a standard health benefit plan with TDI for approval	\$5,000 fine	060618	06/20/06
Valley Land Title Company	Edinburg	Failed to timely file required annual trust fund account audit report	\$14,500 fine	060715	07/12/06
Veliz, Ramiro	Laredo	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	General Lines License revoked	060718	07/12/06
Wesson, Carl Brown III	Tyler	Felony conviction involving fraud, dishonesty and/or deceit; Engaged in fraudulent or dishonest acts or practices	General Property and Casualty License denied	060733	07/14/06
Williford, Christina Marie	Tenaha	Misappropriated or converted money belonging to an insurer or insured; Acted as an agent without a proper license	General Life, Accident and Health License revoked	060582	06/08/06
Zapata County Title & Abstract Company	Zapata	Failed to timely remit title insurance policy guaranty fees	\$3,950 fine	060626	06/21/06



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