


No. 2020-6473

**Official Order
of the
Texas Commissioner of Insurance**

Date: 09/17/2020

Subject Considered:

Merlon D. Watson and
M D Watson Insurance Agency, LLC

Houston, TX 77096

Default Order
SOAH Docket No. 454-20-4247.C
TDI Enforcement File No. 24748 & 25028

General remarks and official action taken:

This is a default order taken against Merlon D. Watson and M D Watson Insurance Agency, LLC (Respondents) because Merlon D. Watson provided fictitious bonds and certificates of insurance to consumers and misappropriated premiums and converted them to his own use. Respondents did not respond to a Notice of Hearing filed by the Texas Department of Insurance. This order revokes Respondents' licenses.

The following findings of fact and conclusions of law are adopted:

Findings of Fact

Failure to Respond to Notice of Hearing

1. On July 15, 2020, the department filed a Notice of Hearing, attached as Exhibit A, and an Original Petition, attached as Exhibit B, with the State Office of Administrative Hearings.
2. The department's factual allegations set out in the attached Notice of Hearing and Original Petition are incorporated in this order as findings of fact.

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3. The department sent the Notice of Hearing and Original Petition to Respondents' last known address provided in writing to the department, [REDACTED] Houston, TX 77096. The Notice of Hearing and Original Petition were also sent by electronic mail to Respondents.
4. Respondents failed to file a written response to the Notice of Hearing within 20 days of the date the Notice of Hearing and Original Petition were mailed.

Conclusions of Law

1. The commissioner has jurisdiction pursuant to Texas law, including TEX. INS. CODE §§ 82.051-82.055, 4001.002, 4001.102, 4001.105, 4005.101-4005.105, 4101.051 and 4054.051; TEX. OCC. CODE §§ 53.021-53.023; 28 TEX. ADMIN. CODE § 1.502; and TEX. GOV'T CODE §§ 2001.051-2001.178.
2. The commissioner has authority to dispose of this case informally pursuant to TEX. GOV'T CODE § 2001.056; TEX. INS. CODE § 82.055; and 28 TEX. ADMIN. CODE §§ 1.47, 1.88, and 1.89.
3. The department provided proper notice of the hearing pursuant to TEX. GOV'T CODE §§ 2001.051, 2001.052, and 2001.054, and 28 TEX. ADMIN. CODE §§ 1.28, 1.88, 1.89, and 19.906.
4. Based on Respondents' failure to file a written response to the Notice of Hearing, the department is entitled to disposition by default pursuant to 28 TEX. ADMIN. CODE §§ 1.88 and 1.89.
5. The department's factual and legal allegations set out in the attached Notice of Hearing and Original Petition are incorporated in this order and deemed admitted as true pursuant to 28 TEX. ADMIN. CODE § 1.89.

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Order

It is ordered that Merlon D. Watson's and M D Watson Insurance Agency, LLC's general lines licenses are revoked. A copy of this order will be provided to law enforcement and/or other appropriate administrative agencies for further investigation as may be warranted.

Kent C. Sullivan
Commissioner of Insurance

By:  _____
Doug Slape
Chief Deputy Commissioner
Commissioner's Order No. 2018-5528

Prepared and reviewed by:



Sydney Moore, Staff Attorney
Enforcement Division

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Affidavit

STATE OF TEXAS §

§

COUNTY OF TRAVIS §

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

"My name is David Moreno and I am employed by the Texas Department of Insurance. I am of sound mind, capable of making this affidavit, and have personal knowledge of these facts which are true and correct.

I have reviewed TDI's records concerning Merlon D. Watson and M D Watson Insurance Agency, LLC. I have confirmed that:

- a. The last mailing address provided to the department in writing by Merlon D. Watson and M D Watson Insurance Agency, LLC is [REDACTED], Houston, TX 77096.
- b. The file maintained by the Enforcement Division contains a Notice of Hearing and Original Petition dated July 14, 2020, which were filed with the State Office of Administrative Hearings.
- c. On July 14, 2020, the Notice of Hearing and Original Petition addressed to Merlon D. Watson and M D Watson Insurance Agency, LLC were mailed certified mail, return receipt requested, to his last known address and by electronic mail to Respondents.

Copies of the certified mail log maintained by the Enforcement Division are attached as Exhibit C.

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DocuSigned by:

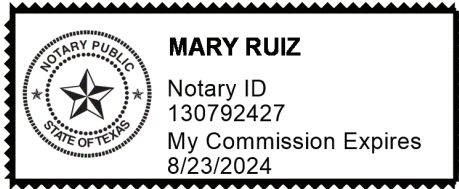
David Moreno

2189EC7B63E24B6...

Affiant

SWORN TO AND SUBSCRIBED before me by means of an interactive two-way audio and video communication on 9/17/2020. This notarial act was an online notarization.

Notary Seal



Digital Certificate

DocuSigned by:

Mary Ruiz

795DC4D59167489...

Notary Public State of Texas

2020-6473

ACCEPTED
454-20-4247
7/15/2020 10:22 AM
STATE OFFICE OF
ADMINISTRATIVE HEARINGS
Donnie Roland, CLERK

SOAH DOCKET NO. 454-20-4247.C
TDI ENFORCEMENT FILE NO. 24748 & 25028

FILED
454-20-4247
7/15/2020 10:04 AM
STATE OFFICE OF
ADMINISTRATIVE HEARINGS
Donnie Roland, CLERK

TEXAS DEPARTMENT OF INSURANCE,

BEFORE THE STATE OFFICE

Petitioner

v.

OF

**MERLON D. WATSON AND
M D WATSON INSURANCE AGENCY,
LLC,**

ADMINISTRATIVE HEARINGS

Respondents

NOTICE OF HEARING

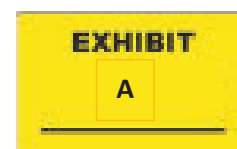
The Texas Department of Insurance seeks to take disciplinary action against you and your agency. This Notice of Hearing and the Original Petition, which is attached and incorporated for all purposes, states the allegations against you and your agency and the relief sought by the Department.

A public hearing will be held before an Administrative Law Judge on **Tuesday, November 17, 2020, at 9:00 a.m.** The hearing will take place at the State Office of Administrative Hearings, located in the William P. Clements Building, 300 W. 15th Street, 4th Floor, Austin, Texas 78701.

The hearing shall be conducted pursuant to TEX. GOV'T CODE, ch. 2001 and 1 TEX. ADMIN. CODE, ch. 155. Unless otherwise directed by the Administrative Law Judge, the hearing shall continue from day to day in the offices of the State Office of Administrative Hearings until concluded. You have the right to appear at this hearing and to be represented by an attorney.

Parties that are not represented by an attorney may obtain information regarding contested case hearings on the public website of the State Office of Administrative Hearings at www.soah.texas.gov, or in printed format upon request to SOAH.

YOU MUST FILE A WRITTEN RESPONSE TO THE NOTICE OF HEARING WITH THE STATE OFFICE OF ADMINISTRATIVE HEARINGS WITHIN 20 DAYS OF THE DATE THE NOTICE OF HEARING WAS MAILED. FAILURE TO FILE A WRITTEN RESPONSE BY



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THIS DEADLINE SHALL ENTITLE TDI TO SEEK DISPOSITION BY DEFAULT PURSUANT TO 1 TEX. ADMIN. CODE § 155.501 AND 28 TEX. ADMIN. CODE §§ 1.88 AND 1.89.

IF YOU FAIL TO FILE A WRITTEN RESPONSE, THE SCHEDULED HEARING CAN BE CANCELED AND WITHOUT FURTHER NOTICE TO YOU THE COMMISSIONER OF INSURANCE CAN ISSUE AN ORDER IN WHICH THE ALLEGATIONS IN THE NOTICE OF HEARING ARE DEEMED ADMITTED AS TRUE AND THE RELIEF SOUGHT IN THE NOTICE OF HEARING, INCLUDING REVOCATION OF YOUR LICENSE, ISSUANCE OF A CEASE AND DESIST ORDER, IMPOSITION OF ADMINISTRATIVE PENALTIES, AND/OR PAYMENT OF RESTITUTION, IS GRANTED BY DEFAULT.

IF YOU FILE A WRITTEN RESPONSE BUT THEN FAIL TO APPEAR ON THE DAY AND TIME SET FOR HEARING, WITHOUT FURTHER NOTICE TO YOU, THE COMMISSIONER OF INSURANCE CAN ISSUE AN ORDER IN WHICH THE ALLEGATIONS IN THE NOTICE OF HEARING ARE DEEMED ADMITTED AS TRUE AND THE RELIEF SOUGHT IN THE NOTICE OF HEARING, INCLUDING REVOCATION OF YOUR LICENSE, ISSUANCE OF A CEASE AND DESIST ORDER, IMPOSITION OF ADMINISTRATIVE PENALTIES, AND/OR PAYMENT OF RESTITUTION, IS GRANTED BY DEFAULT.

In accord with 28 TEX. ADMIN. CODE § 1.90(e) and 1 TEX. ADMIN. CODE §§ 155.101 and 155.103, you should send copies of your written response to:

- (1) Docketing Division
State Office of Administrative Hearings
300 West 15th Street, Room 504
P.O. Box 13025
Austin, Texas 78711-3025
(512) 322-2061 (Fax);
- (2) Chief Clerk
Texas Department of Insurance
P.O. Box 149104, MC112-2A
Austin, Texas 78714-9104
(512) 490-1064 (Fax)
chiefclerk@tdi.texas.gov; and
- (3) Sydney Moore, Staff Attorney
Texas Department of Insurance

2020-6473

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Enforcement Division, MC110-1A

P.O. Box 149104

Austin, Texas 78714-9104

(512) 490-1020 (Fax)

Sydney.moore@tdi.texas.gov

Receiving Documents

The State Office of Administrative Hearings (SOAH) offers you the ability to receive service of orders and other documents issued by SOAH through email instead of by mail or fax. If you want to receive SOAH-issued documents by email, go to SOAH's website, www.soah.texas.gov, click on the "E-Services" tab, then click the "eFiling" hyperlink, and follow the instructions.

NOTE: A request to receive SOAH-issued documents by email does not change the procedures you must follow to file documents with SOAH. The rules for filing documents and providing copies to all other parties in the case are described in SOAH's Procedural Rules, which are available on SOAH's website. Click the "Agency" tab, then click "Administrative Rules and Laws" to view SOAH's Procedural Rules.

Important Security Notice

ALL VISITORS TO THE WILLIAM P. CLEMENTS BUILDING WITHOUT AN AGENCY OR DPS ISSUED ID CARD MUST PROVIDE THE BUILDING SECURITY OFFICER WITH THE STATE OFFICE OF ADMINISTRATIVE HEARINGS DOCKET NUMBER AND RECEIVE A VISITOR'S PASS IN ORDER TO BE ALLOWED ACCESS TO THE HEARING ROOM. INDIVIDUALS SHOULD ALLOW ADDITIONAL TIME TO GO THROUGH THE SECURITY PROCESS.

If you have any questions, please contact me at the address or telephone number shown below.

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Notice of Hearing

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Respectfully Submitted,



Sydney Moore

State Bar No. 24056052

Texas Department of Insurance

Enforcement Division, MC110-1A

P.O. Box 149104

Austin, Texas 78714-9104

(512) 676-6339 (Direct)

(512) 490-1020 (Fax)

Sydney.moore@tdi.texas.gov

ATTORNEY FOR THE PETITIONER

TEXAS DEPARTMENT OF INSURANCE

Enclosure: Original Petition

cc: Leah Gillum, Deputy Commissioner, Enforcement Division, MC-110-1A
Whitney Fraser, Litigation Director, Enforcement Division, MC-110-1A
Administrative Review, MC107-1A

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CERTIFICATE OF SERVICE

I, Sydney Moore, certify that a true and correct copy of the *Notice of Hearing and the Original Petition* were sent by electronic mail and certified mail, return receipt requested, on this 15th day of July, 2020 to:

Merlon D. Watson

M D Watson Insurance Agency, LLC

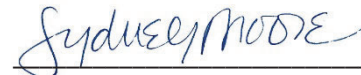
[REDACTED]

Houston, TX 77096

Respondents Pro Se

Via CM/RRR No.:9214 8901 9403 8316 4848 00

Via email: [REDACTED]



Sydney Moore

SOAH DOCKET NO. 454-_____
TDI ENFORCEMENT FILE NO. 24748 & 25028

TEXAS DEPARTMENT OF INSURANCE,

Petitioner

v.

**MERLON D. WATSON AND
M D WATSON INSURANCE AGENCY,
LLC,**

Respondents

BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

ORIGINAL PETITION

The Texas Department of Insurance seeks to take disciplinary action against Merlon D. Watson and M D Watson Insurance Agency, LLC. In support of this petition, the department makes the following allegations upon information and belief:

Jurisdiction

The Commissioner of Insurance has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051-82.055, 4001.002, 4005.101, 4005.102, and 4051.051. 4054.051, and TEX. GOV'T CODE §§ 2001.051-2001.178.

Factual Allegations

1. Merlon D. Watson (Watson), individual identification number 762712, holds a general lines license with property and casualty qualification issued by the Department on June 1, 1990, and a life, accident, health, and HMO qualification issued by the Department on November 9, 1990.
2. M D Watson Insurance Agency, LLC, agency identification number 2256455, has held a general lines agency license with property and casualty qualification and life, accident, health, and HMO qualification issued by the Department on January 2, 2018.

EXHIBIT

B

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Original Petition

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3. Watson is the only designated responsible agent for M D Watson Insurance Agency, LLC.
4. Watson provided a fictitious certificate of insurance to A Status Construction for a Pollution Liability Policy by Hallmark Specialty Insurance.
5. Watson provided a fictitious certificate of insurance to A Status Construction for an Excess Liability policy by Acceptance Indemnity Insurance.
6. Watson collected premiums for the pollution liability policy by Hallmark Specialty Insurance and failed to submit application and premium to Hallmark Specialty Insurance thereby misappropriating and converting the funds to his own use.
7. Watson collected premiums for the excess liability policy by Acceptance Indemnity Insurance Company and failed to submit application and premium to Acceptance Indemnity Insurance Company thereby misappropriating and converting the funds to his own use.
8. Watson provided a fictitious payment bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a KIPP Texas Inc. construction project.
9. Watson provided a fictitious performance bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a KIPP Texas Inc. construction project.
10. Watson provided a fictitious bid bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a KIPP Texas Inc. construction project.
11. Watson provided a fictitious payment bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a University of Houston System construction project.
12. Watson provided a fictitious performance bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a University of Houston System construction project.

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13. Watson provided a fictitious performance bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a City of Bellaire, Texas water and wastewater improvement project.
14. Watson provided a fictitious payment bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a City of Bellaire, Texas water and wastewater improvement project.
15. Watson provided a fictitious bid bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a City of Bellaire, Texas drainage and sidewalk project at Spruce and N. Fifth.
16. Watson provided a fictitious performance bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a City of Bellaire, Texas water and wastewater improvement drainage and sidewalk project at Spruce and N. Fifth.
17. Watson provided a fictitious payment bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a City of Bellaire, Texas drainage and sidewalk project at Spruce and N. Fifth.
18. Watson provided a fictitious bid bond to A Status Construction naming Merchants National Bonding Inc. as the purported surety for a City of Bellaire, Texas drainage and sidewalk project at Maple and Bolivar.
19. Watson collected premiums of approximately \$82,000 for fictitious bonds naming Merchants National Bonding Inc. as the purported surety and misappropriated and converted them to his own use at Maple and Bolivar.
20. Watson did not have a valid appointment with Merchants National Bonding Inc. and therefore did not have authorization to issue the bonds listed above.

Legal Allegations

1. Watson has willfully violated an insurance law of this state as contemplated in TEX. INS. CODE § 4005.101(b)(1).

2. Watson misappropriated, converted to his own use or illegally withheld money belonging to an insurer, HMO, insured, enrollee, or beneficiary as contemplated by TEX. INS. CODE § 4005.101(b)(4).
3. Watson engaged in fraudulent or dishonest acts or practices, as contemplated by TEX. INS. CODE § 4005.101(b)(5).
4. Watson solicited a contract of insurance or acted as an agent without having been appointed by an authorized insurance company, as contemplated by TEX. INS. CODE § 4001.201.

Relief Sought

If one or more of the above allegations is found to be true, the department asks the Administrative Law Judge to enter a Proposal for Decision recommending that the Commissioner of Insurance issue an order:

1. revoking Merlon D. Watson's license;
2. revoking the license for M D Watson Insurance Agency, LLC;
3. directing Merlon D. Watson and M D Watson Insurance Agency, LLC to make restitution to victim under TEX. INS. CODE § 82.053; and
4. any other just and appropriate relief to which the department may be entitled to by law, including any combination of the above actions.

Respectfully Submitted,



Sydney Moore
State Bar No. 24056052
Texas Department of Insurance
Enforcement Division, MC110-1A
P.O. Box 149104
Austin, Texas 78714-9104
(512) 676-6339 (Direct)
(512) 490-1020 (Fax)
Sydney.moore@tdi.texas.gov

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ATTORNEY FOR THE PETITIONER
TEXAS DEPARTMENT OF INSURANCE



Shipment Confirmation
Acceptance Notice

A. Mailer Action

Note to Mailer: The labels and volume associated to this form online, must match the labeled packages being presented to the USPS® employee with this form.

Shipment Date: 07/15/2020

Shipped From:

Name: MC 110-1A S BECK

Address: 333 GUADALUPE ST

City: AUSTIN

State: TX ZIP+4® 78701

Type of Mail	Volume
Priority Mail Express®	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	1
Total	1

*Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

B. USPS Action

Note to RSS Clerk:

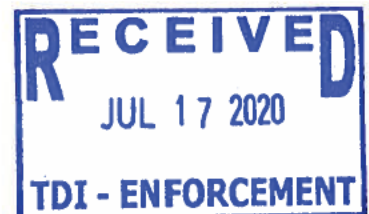
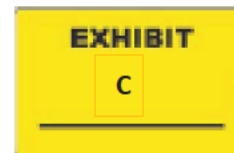
1. Home screen > Mailing/Shipping > More
2. Select Shipment Confirm
3. Scan or enter the barcode/label number from PS Form 5630
4. Confirm the volume count message by selecting Yes or No
5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail. Leave form with customer or in customer's mail receptacle.

USPS SCAN AT ACCEPTANCE



9275 0901 1935 6200 0022 9793 76



Moore 24748, 25028



Name and Address of Sender
 MC 110-1A S. Beck
 Texas Department of Insurance
 333 Guadalupe St
 Austin TX 78701

- Check type of mail or service
- Adult Signature Required
 - Adult Signature Restricted Delivery
 - Certified Mail
 - Certified Mail Restricted Delivery
 - Collect on Delivery (COD)
 - Insured Mail
 - Priority Mail
 - Priority Mail Express
 - Registered Mail
 - Return Receipt for Merchandise
 - Signature Confirmation
 - Signature Confirmation Restricted Delivery

Affix Stamp Here
 (if issued as an international certificate of mailing or for additional copies of this receipt).
 Postmark with Date of Receipt.

USPS Tracking/Article Number

1. 9214 8901 9403 8316 4848 00
 Moore 24748, 25028

Addressee (Name, Street, City, State, & ZIP Code™)

MERLON D WATSON M D WATSON INSURANCE AGENCY LLC
 HOUSTON VIA EMAIL TX 77096

Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee
1.60	3.55	Handling Charge - if Registered and over \$50,000 in value				Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling

RECEIVED
 JUL 17 2020
 TDI - ENFORCEMENT



Total Number of Pieces Listed by Sender: 1

Total Number of Pieces Received at Post Office: 1

Postmaster, Per (Name of receiving employee)

Complete in Ink

2020-6473