

No. 2017- 5218

OFFICIAL ORDER
of the
TEXAS COMMISSIONER OF INSURANCE

Date: SEP 18 2017

Subject Considered:

COMMERCIAL ALLIANCE INSURANCE COMPANY
415 Lockhaven Drive
Houston, Tx 77073

OCCIDENTAL FIRE & CASUALTY COMPANY OF NORTH CAROLINA
HARCO NATIONAL INSURANCE COMPANY
P.O. Box 10800
Raleigh, NC 27605

TRANSGUARD INSURANCE COMPANY OF AMERICA, INC.
702 Oberlin Road
Raleigh, NC 27605

CONSENT ORDER

TDI ENFORCEMENT FILE NOS. 13842, 13843, 13844, and 13845

General remarks and official action taken:

This order is in consideration of whether disciplinary action should be taken against Commercial Alliance Insurance Company, Harco National Insurance Company, Occidental Fire & Casualty Company of North Carolina, and Transguard Insurance Company of America, Inc.

WAIVER

Commercial Alliance Insurance Company, Harco National Insurance Company, Occidental Fire & Casualty Company of North Carolina, and Transguard Insurance Company of America, Inc. acknowledge that the Texas Insurance Code and other applicable law provide certain rights. Commercial Alliance Insurance Company, Harco National Insurance Company, Occidental Fire & Casualty Company of North Carolina, and Transguard Insurance Company of America, Inc. waive all of these rights and any other applicable procedural rights in consideration of the entry of this consent order.

FINDINGS OF FACT

1. Commercial Alliance Insurance Group is a domestic fire and casualty insurer domiciled in the state of Texas and has been licensed by the Texas Department of Insurance since May 29, 1998.
2. Harco National Insurance Company is foreign fire and casualty insurer domiciled in the state of Illinois and has been licensed by the department since February 2, 1995.
3. Occidental Fire & Casualty Company of North Carolina is a foreign fire and casualty insurer domiciled in the state of North Carolina and has been licensed by the department since August 10, 1962.
4. Transguard Insurance Company of America, Inc., is a foreign fire and casualty insurer domiciled in the state of Illinois and has been licensed by the department since August 6, 1999.
5. Commercial Alliance Insurance Group, Harco National Insurance Company, Occidental Fire & Casualty Company of North Carolina, and Transguard Company of America, Inc. are part of IAT Reinsurance Company Group, and will herein be referred to as "IAT Reinsurance Group."
6. TDI conducted an evaluation in June 2017, to determine the adequacy of IAT Reinsurance Group's Texas loss control program for commercial automobile liability insurance and general liability insurance. The evaluation resulted in an inadequate rating for IAT Reinsurance Group's Texas loss control program.
7. TDI's 2017 evaluation found the following deficiencies:
 - a. IAT Reinsurance Group failed to provide documentation supporting its consideration and provision of loss control information or services in nine of the 20 account files TDI selected and reviewed. The remaining 11 files included some documentation of services, however IAT consistently failed to follow up with the insureds regarding recommendations.
 - b. The loss information on IAT Reinsurance Group's list of insureds did not match the loss information later provided on IAT Reinsurance Group's worksheets. The list of insureds included non-applicable losses, including non-liability and non-Texas policies.
 - c. IAT Reinsurance Group failed to timely provide the qualifications for all of its Texas loss control representatives. At the time of the inspection, two of three were no longer employed. TDI informed IAT of these issues six weeks prior to the inspection.

- d. IAT Reinsurance Group failed to have complete, written procedures for the monitoring capability it used to identify and evaluate the risks, exposures, loss experience, and other considerations during the policy period.
- e. TDI reviewed 20 Loss Control Information Worksheets submitted by IAT Reinsurance Group. IAT Reinsurance Group failed to answer all worksheet questions, and in several instances where it did provide answers, the answers lacked details unique to the individual insured.
- f. IAT Reinsurance Group submitted several inspection requirements late or after TDI's inspection, including the loss runs and notices of loss control availability. In one instance IAT failed to provide a sample notice for one company (Occidental Fire and Casualty Company).

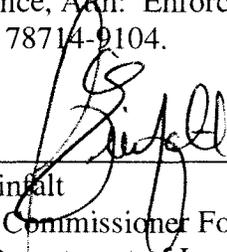
CONCLUSIONS OF LAW

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051-82.055, 84.021-84.044, 801.051-801.056, 1903.051, and 1952.058; and 28 TEX. ADMIN. CODE §§ 5.301-5.311 and 5.1721-5.1731.
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056. TEX. INS. CODE § 82.055, and 28 TEX. ADMIN. CODE § 1.47.
3. Pursuant to TEX. INS. CODE §§ 1903.051 and 1952.058, an insurer must provide loss control information to policy holders as a prerequisite to writing professional liability, medical professional insurance for insureds other than hospitals, general liability insurance, and commercial automobile liability insurance in Texas. The loss control information must be reasonably commensurate with the risks, exposures, and experience of the insured's business.
4. Additional loss control information to be provided by insurers writing the above listed insurance is further described in 28 TEX. ADMIN. CODE §§ 5.301-5.302 and 5.1721-5.1722.
5. Pursuant to 28 TEX. ADMIN. CODE §§ 5.303 and 5.1723, at least every two years the department conducts an evaluation of the loss control information and services of each insurer writing professional liability and medical liability insurance for insurers other than hospitals, general liability insurance, and commercial automobile liability insurance.
6. IAT Reinsurance Group violated TEX. INS. CODE §§ 1903.051 and 1952.058 and 28 TEX. ADMIN. CODE §§ 5.301, 5.311, 5.1721, and 5.1731.

It is ordered that Commercial Alliance Insurance Company, Harco National Insurance Company, Occidental Fire & Casualty Company of North Carolina, and Transguard Insurance Company of America, Inc.

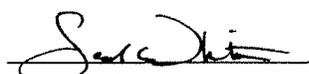
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Pay, jointly and severally, an administrative penalty of \$25,000 within 30 days from the date of this order. The payment must be paid by cashier's check or money order made payable to the "State of Texas" and sent to the Texas Department of Insurance, Attn: Enforcement Section, Division 60851, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.



Mark Einfalt
Deputy Commissioner For Compliance
Texas Department of Insurance
Delegation Order 4506

APPROVED AS TO FORM AND CONTENT



Sarah White
Staff Attorney, Enforcement Section
Texas Department of Insurance

2017- 5218

AFFIDAVIT

STATE OF North Carolina §

COUNTY OF Wake §

BEFORE ME, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

1. "My name is Michael D. Blinson. I am of sound mind, capable of making this statement, and personally acquainted with the facts stated herein.
2. I hold the office of Corporate Secretary. I am the authorized representative of Commercial Alliance Insurance Company and am duly authorized to execute this affidavit.
3. Commercial Alliance Insurance Company waives rights provided by the Texas Insurance Code and other applicable law and acknowledges the jurisdiction of the commissioner of insurance of the state of Texas.
4. Commercial Alliance Insurance Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the foregoing consent order by the commissioner of insurance of the state of Texas."

Michael D. Blinson
Affiant

SWORN TO AND SUBSCRIBED before me on this 8th day of September 2017.

<p>Sherrie L Major Notary Public Wake County, NC My Commission Expires May 21, 2020</p>

(NOTARY STAMP)

Sherrie L. Major
Signature of Notary Public

2017- 5218

AFFIDAVIT

STATE OF North Carolina §

COUNTY OF Wake §

BEFORE ME, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

- 5. "My name is Michael D. Blinson. I am of sound mind, capable of making this statement, and personally acquainted with the facts stated herein.
- 6. I hold the office of Corporate Secretary. I am the authorized representative of Harco National Insurance Company and am duly authorized to execute this affidavit.
- 7. Harco National Insurance Company waives rights provided by the Texas Insurance Code and other applicable law and acknowledges the jurisdiction of the commissioner of insurance of the state of Texas.
- 8. Harco National Insurance Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the foregoing consent order by the commissioner of insurance of the state of Texas."

Michael D. Blinson
Affiant

SWORN TO AND SUBSCRIBED before me on this 8th day of September, 2017.

Sherrie L Major
 Notary Public
 Wake County, NC
 My Commission Expires May 21, 2020

Sherrie L. Major
Signature of Notary Public

(NOTARY STAMP)

2017- 5218

AFFIDAVIT

STATE OF North Carolina §

COUNTY OF Wake §

BEFORE ME, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

- 9. "My name is Michael D. Blinson. I am of sound mind, capable of making this statement, and personally acquainted with the facts stated herein.
- 10. I hold the office of Corporate Secretary. I am the authorized representative of Occidental Fire & Casualty Company of North Carolina and am duly authorized to execute this affidavit.
- 11. Occidental Fire & Casualty Company of North Carolina waives rights provided by the Texas Insurance Code and other applicable law and acknowledges the jurisdiction of the commissioner of insurance of the state of Texas.
- 12. Occidental Fire & Casualty Company of North Carolina has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the foregoing consent order by the commissioner of insurance of the state of Texas."

Michael D. Blinson
Affiant

SWORN TO AND SUBSCRIBED before me on this 8th day of September, 2017.

<p>Sherrie L Major Notary Public Wake County, NC My Commission Expires May 21, 2020</p>

Sherrie L. Major
Signature of Notary Public

(NOTARY STAMP)

2017- 5218

AFFIDAVIT

STATE OF North Carolina §

COUNTY OF Wake §

BEFORE ME, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

- 13. "My name is Michael D Blinson. I am of sound mind, capable of making this statement, and personally acquainted with the facts stated herein.
- 14. I hold the office of Corporate Secretary. I am the authorized representative of Transguard Insurance Company of America, Inc. and am duly authorized to execute this affidavit.
- 15. Transguard Insurance Company of America, Inc. waives rights provided by the Texas Insurance Code and other applicable law and acknowledges the jurisdiction of the commissioner of insurance of the state of Texas.
- 16. Transguard Insurance Company of America, Inc. has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the foregoing consent order by the commissioner of insurance of the state of Texas."

Michael D. Blinson
Affiant

SWORN TO AND SUBSCRIBED before me on this 8th day of September, 2017.

<p>Sherrie L Major Notary Public Wake County, NC My Commission Expires May 21, 2020</p>

Sherrie L. Major
Signature of Notary Public

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