

No. **2020-6462**

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

Date: 09/11/2020

Subjects Considered:

William Ronald Phillips
1230 Hwy 96 S
Silsbee, Texas 77656

The Phillips Agency, LLC
364 N Zavalla
Jasper, Texas 75951

Consent Order
SOAH Docket No. 454-19-6757.C
TDI Enforcement File No. 12261 and 25008

General remarks and official action taken:

This is a consent order with William Ronald Phillips (Phillips) and The Phillips Agency, LLC (Phillips' Agency) (collectively, Respondents). The Texas Department of Insurance (department) alleges that Phillips engaged in unfair methods of competition or an unfair or deceptive act or practice. The department further alleges that Phillips willfully violated an insurance law of this state and offered or gave a rebate of an insurance premium to an insured. The department alleges that Respondents intentionally made a material misstatement in a license application.

Waiver

Respondents acknowledge that the Texas Insurance Code and other applicable law provide certain rights. Respondents waive all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

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Pursuant to TEX. INS. CODE § 82.055(b), Respondents do not admit to a violation of any provision of the Texas Insurance Code or a rule of the department. Respondents further maintain that the existence of a violation is in dispute. However, for the purposes of settlement, Respondents have agreed to this order.

Findings of Fact

Licensure

1. Phillips, individual identification no. 401069, holds a general lines agent license with a life, accident, and health qualification and a property and casualty qualification issued by the Texas Department of Insurance on October 6, 2003.
2. On or about June 27, 2018, Respondents applied for a general lines agency license with a property and casualty qualification to be issued by the department.

Rebating Scheme

3. Between 2014 and 2015, Phillips created 15 life insurance policies through an alleged rebating scheme. Phillips allegedly offered to pay customer premium payments for a certain period as part of a promotional offer to induce customers into purchasing a policy.
4. Two of the 15 policies were written in March 2014. Each policy premium payment of \$18.00 per month was paid by Phillips from his business operating bank account for approximately two years.
5. Thirteen of the 15 policies were written in 2015. Each policy premium payment ranged from \$13.00 to \$17.00 per month for approximately one year. Phillips made each monthly premium payment from his business operating bank account.
6. In each policy application, Phillips completed the EFT Authorization Form with his business operating bank account information and listed the insured as the bank account owner. Further, Phillips had the insured sign the completed form authorizing the bank to allow an automatic payment withdrawal.

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7. Through the alleged rebating scheme, Phillips received \$1,365.48 in commission payments.
8. On or about October 28, 2016, Phillips' appointment was terminated for the above stated alleged misconduct, from:
 - Farmers Insurance Exchange;
 - Fire Insurance Exchange;
 - Mid Century Insurance Company;
 - Texas Farmers Insurance Company;
 - Farmers Texas County Mutual Insurance Company;
 - Mid Century Insurance Company of Texas;
 - Farmers New World Life;
 - Truck Insurance Exchange;
 - Foremost County Mutual Insurance Company;
 - Foremost Lloyd's of Texas; and
 - Foremost Insurance Company.

Agency License Application

9. On or about June 27, 2018, Phillips submitted an agency license application to the department for The Phillips Agency, LLC as an owner, partner, officer, or director and a designated responsible licensed person.
10. On August 23, 2018, the department proposed to deny the agency license application for The Phillips Agency, LLC. Respondents appealed that decision and made a written request for a hearing.
11. In the application, Phillips answered "No" to the following question:
 - Has the business entity or any owner, partner, officer or director of the business entity, or member or manager of a limited liability company ever had an insurance agency contract or any other business relationship with an insurance company terminated for any alleged misconduct?

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Conclusions of Law

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051-82.055, 84.021-84.044, 4005.102, 4051.051, and 4054.051.
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 §§ 36.104 and 82.055; and 28 TEX. ADMIN. CODE § 1.47.
3. Phillips has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. Phillips engaged in unfair methods of competition or an unfair or deceptive act or practice, as contemplated by TEX. INS. CODE § 541.056(a).
5. Phillips, as an owner, partner, officer, or director of The Phillips Agency, LLC, committed an act for which a license may be denied under Chapter 4005, as contemplated by TEX. INS. CODE § 4001.106(b)(7)(B).
6. Phillips has willfully violated an insurance law of this state, as contemplated by TEX. INS. CODE § 4005.101(b)(1).
7. Phillips offered or gave a rebate of an insurance premium to an insured, in violation of TEX. INS. CODE § 4005.101(b)(9).
8. Phillips intentionally made a material misstatement in a license application, as contemplated by TEX. INS. CODE § 4005.101(b)(2).

Order

It is ordered that William Ronald Phillips pay an administrative penalty of \$7,000 within 30 days from the date of this order. The administrative penalty must be paid by cashier's check or money order made payable to the "State of Texas" and transmitted to the Texas Department of Insurance, Attn: Enforcement, Division 60851, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.

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It is further ordered that the general lines agent license with a life, accident, and health qualification and a property and casualty qualification issued by the Texas Department of Insurance to William Ronald Phillips is suspended for one year, probated.

It is ordered that the general lines agency license with a property and casualty qualification is granted to The Phillips Agency, LLC. It is further ordered that the general lines agency license is suspended for one year, probated.

If, during the probation period imposed by this order, the department issues any additional licenses or authorizations to the Respondents, those additional licenses or authorizations will be suspended until the probation period imposed by this order has ended. The suspension will be probated and the same terms and conditions stated in this order will apply.

Beginning from the date of this order and continuing through the probation period, Respondents must comply with the following terms and conditions:

- a. Respondents must provide written notice of this order to any appointing company, agency, or sponsor. Respondents must provide the department with a copy of the notification within 30 days of the signing of this Order, or within 30 days of the appointment or sponsorship to the Texas Department of Insurance, Enforcement Division, Mail Code 110-1A, P.O. Box 149104, Austin, Texas 78714-9104.
- b. Respondents must file a written report, on or before the 15th day of the month on a quarterly basis with the Texas Department of Insurance, Enforcement Division, Mail Code 110-1A, P.O. Box 149104, Austin, Texas 78714-9104. The reports must include the following information:
 - i. Respondents current mailing address and telephone number;
 - ii. the name and mailing address of any insurer which has appointed Respondents as a licensed agent or agency;
 - iii. the name and address of any insurer which has canceled Respondents appointment as a licensed agent or agency; and

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- iv. a copy of any and all contracts Respondents have entered into with an insurer, broker, managing general agent, managing general agency, or any person or entity in the business of insurance.
- c. Respondents must notify the department immediately of the following:
- i. any state or regulatory actions taken against it including formal and informal actions;
 - ii. any change of its business address; and
 - iii. any complaint made against it concerning its actions as a licensed agency, as well as a written explanation detailing the steps taken to resolve it.

Kent C. Sullivan
Commissioner of Insurance

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

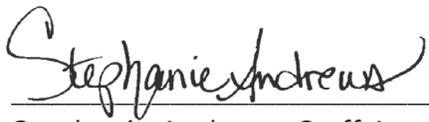
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Recommended and reviewed by:



Leah Gillum, Deputy Commissioner
Enforcement Division



Stephanie Andrews, Staff Attorney
Enforcement Division

Approved as to form and content:

 /s/ Wayne E. Sanders

Wayne Sanders
Counsel for Respondents

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Affidavit

STATE OF TEXAS §
COUNTY OF HARDIN §

Before me, the undersigned authority, personally appeared William Ronald Phillips, who being by me duly sworn, deposed as follows:

"My name is William Ronald Phillips. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of AGENT, and am the authorized representative of The Phillips Agency, LLC. I am duly authorized by said organization to execute this statement.

The Phillips Agency, LLC has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

[Handwritten Signature]
Affiant

SWORN TO AND SUBSCRIBED before me on AUGUST 21, 2020.

(NOTARY SEAL)

[Handwritten Signature]
Signature of Notary Public

Brittany Taylor
Printed Name of Notary Public

