

No. 2019-5838

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

Date: JAN 07 2019

Subject Considered:

Melissa Jean Preddy
P.O. Box 1242
Forney, Texas 75126-1242

Default Order
SOAH Docket No. 454-19-1137.C
TDI Enforcement File No. 12794

The subject of this order is whether disciplinary action should be taken against Melissa Jean Preddy (Respondent).

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

Findings of Fact

Failure to Respond to Notice of Hearing

1. On November 9, 2018, the Texas Department of Insurance filed a Notice of Hearing, attached as Exhibit A, with the State Office of Administrative Hearings.
2. The department's factual allegations set out in the attached Notice of Hearing are incorporated in this order as findings of fact.
3. The department sent the Notice of Hearing to Respondent's last known address provided in writing to the department, P.O. Box 1242, Forney, Texas 75126-1242.
4. Respondent failed to file a written response to the Notice of Hearing within 20 days of the date the Notice of Hearing was mailed.

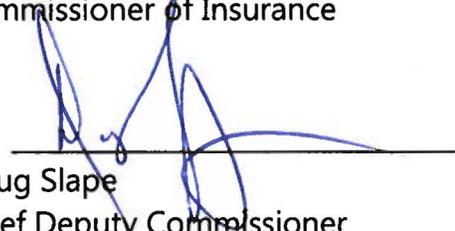
1. The commissioner has jurisdiction pursuant to TEX. INS. CODE §§ 82.051-82.055, 4001.002, 4005.101-4005.105, 4051.051, 4054.051 and 4101.051, and TEX. GOV'T CODE §§ 2001.051-2001.178.
2. The commissioner has authority to dispose of this case informally pursuant to TEX. GOV'T CODE § 2001.056; TEX. INS. 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 Respondent's 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 are incorporated in this order and deemed admitted as true pursuant to 28 TEX. ADMIN. CODE § 1.89.

Order

It is ordered that Melissa Jean Preddy's general lines agent license with life, accident and health, and property and casualty qualifications is 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

Affidavit

STATE OF TEXAS

§

§

COUNTY OF TRAVIS

§

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

"My name is Mariah Cook 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.

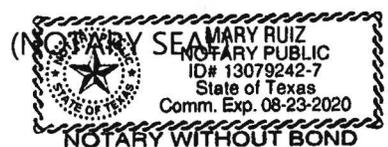
I have reviewed TDI's records concerning Melissa Jean Preddy. I have confirmed that:

- a. The last mailing address provided to the department in writing by Melissa Jean Preddy is P.O. Box 1242, Forney, Texas 75126-1242.
- b. The file maintained by the Enforcement Section of the Legal and Enforcement Division contains a Notice of Hearing dated November 9, 2018, which was filed with the State Office of Administrative Hearings.
- c. On November 9, 2018, a Notice of Hearing addressed to Melissa Jean Preddy, was mailed first-class and certified, return receipt requested, to her last known address.

Copies of the first-class mail log and certified mail log maintained by the Enforcement Section are attached as Exhibits B and Exhibit C, respectively."

Mariah A. Cook
Affiant

SWORN TO AND SUBSCRIBED before me on December 10, 2018.



Mary Ruiz
Signature of Notary Public

Mary Ruiz
Printed Name of Notary Public

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**SOAH DOCKET NO. 454-19-1137.C
TDI ENFORCEMENT FILE NO. 12794**

TEXAS DEPARTMENT OF INSURANCE,

Petitioner

v.

MELISSA JEAN PREDDY,

Respondent

BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

NOTICE OF HEARING

The Texas Department of Insurance is seeking disciplinary action against you. A public hearing will be held before an Administrative Law Judge on Wednesday, January 9, 2019, 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.

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.

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

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 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, MC113-2A
P.O. Box 149104
Austin, Texas 78714-9104
(512) 490-1064 (Fax)
chiefclerk@tdi.texas.gov; and
- (3) LaKisha T. Seldon McKay
Staff Attorney
Texas Department of Insurance
Enforcement Section, MC110-1A
P.O. Box 149104

Austin, Texas 78714-9104
(512) 490-1020 (Fax)
lakisha.seldon.mckay@tdi.texas.gov.

FACTUAL ALLEGATIONS

Licensure

1. Melissa Preddy (Preddy) holds a general lines agent license with life, accident and health, and property and casualty qualifications issued by the department on July 15, 2013.

Unauthorized Insurance and Agency Application

2. Since April 4, 2017, Preddy operated Melissa Preddy Insurance Agency, LLC.
 - a. On June 14, 2017, Preddy applied for an agency license for Melissa Preddy Insurance Agency, LLC, naming Preddy as the agent / owner.
 - b. The department proposed to deny the application for Melissa Preddy Insurance Agency, LLC on September 28, 2017 because Preddy committed an act for which a license may be denied under TEX. INS. CODE § 4005.101.
 - c. Preddy did not request a hearing related to the denial of this application.
3. Upon denial of Preddy's agency license application, Preddy stated that she discontinued use of the name Melissa Preddy Insurance Agency, LLC; however, Preddy's Texas Secretary of State filing for Melissa Preddy Insurance Agency, LLC is currently active.

Agent Misconduct

4. Farmers Insurance cancelled Preddy's appointment, effective March 7, 2017, alleging Preddy obtained insurance for her own benefit without payment; willful misrepresentation; failure to collect and failure to promptly remit premium payments; as well as several violations of company policy.
5. On January 11, 2017, Preddy submitted a signed statement to Farmers Insurance in which Preddy admitted to making payments on her personal automobile policy with knowledge that sufficient funds were not available to cover the payments. Preddy admitted to making the following invalid payments which were returned for insufficient funds:

- a. In November of 2014, Preddy submitted a payment of \$735.93, and her cancelled policy was reinstated;
 - b. On January 29, 2015, Preddy submitted a payment of \$228.80;
 - c. On February 10, 2015, Preddy submitted a payment of \$735.93;
 - d. On May 22, 2015, Preddy submitted a payment of \$964.73;
 - e. On July 30, 2015, Preddy submitted a payment of \$1,508.29, and her cancelled policy was reinstated;
 - f. On November 20, 2015, Preddy submitted a payment of \$2,140.26, and her cancelled policy was reinstated;
 - g. On February 16, 2016, Preddy submitted a payment of \$2,408.00, and her cancelled policy was reinstated;
 - h. On April 27, 2016, Preddy submitted a payment of \$1,299.24, and her cancelled policy was reinstated;
 - i. On August 25, 2016, Preddy submitted a payment of \$1,733.12, and her cancelled policy was reinstated; and
 - j. On October 21, 2016, Preddy submitted a payment of \$2,064.51, and her cancelled policy was reinstated.
6. On January 11, 2017, Preddy submitted a signed statement to Farmers Insurance in which Preddy admitted filing a claim and receiving payment from Farmers on two fraudulent claims on her personal automobile insurance policy:
- a. On November 25, 2015, Preddy submitted a claim on her automobile insurance policy, for which Farmers paid Preddy \$3,263.00. Preddy admitted in her January 11, 2017 statement that she had not made any valid payments to her automobile insurance policy since May 18, 2015; and
 - b. On June 18, 2016, Preddy submitted a claim on her automobile insurance policy, for which Farmers paid Preddy \$7,784.00. Preddy admitted in her January 11, 2017 statement that the claim should not have been paid due to her failure to make a valid premium payment.

7. On January 11, 2017, Preddy submitted a signed statement to Farmers Insurance in which Preddy admitted to: reinstating a customer's policies without collecting premium payments from the customer; and submitting invalid payments on the policies after the customer cancelled coverage in order to keep the policies active:
 - a. On November 30, 2015, Preddy submitted a payment of \$1,371.50 from her agency bank account for the customer's policy, which was returned for insufficient funds;
 - b. On May 1, 2016, Preddy submitted a payment of \$1,115.50 from her agency bank account for the customer's policy, which was returned for insufficient funds;
 - c. On June 1, 2016, the customer cancelled the policies with Preddy's agency and moved coverage to another carrier;
 - d. On June 16, 2016, the customer's policy cancelled for non-payment, and on July 4, 2016, Preddy submitted a payment of \$1,641.14 from her agency bank account in order to get the policy reinstated. Preddy's payment was subsequently returned for insufficient funds;
 - e. On August 31, 2016, Preddy submitted a payment of \$1,214.20 from her agency bank account for the customer's policy, which was returned for insufficient funds;
 - f. On November 7, 2016, the customer's policy cancelled for non-payment, and Preddy submitted a payment of \$3,505.42 from her agency bank account in order to get the policy reinstated. Preddy's payment was subsequently returned for insufficient funds; and
 - g. On November 16, 2016, Preddy submitted a payment of \$4,284.37 from her agency bank account for the customer's policy, which was returned for insufficient funds.
8. Preddy collected \$1,744.00 in unearned commissions from Farmers Insurance when she submitted invalid payments for a customer's policies after the customer cancelled coverage and moved to another carrier.
9. On November 2, 2017, in response to the department's October 18, 2017 inquiry pursuant to Section 38.001 of the Texas Insurance Code, Preddy submitted a statement in which she admitted to the following:

- a. Falling behind and / or missing payments on her Farmers Insurance policy;
 - b. Filing a damage claim on her vehicle in November of 2015; and
 - c. Involvement in an accident in June 2016 which was reported to Farmers Insurance.
10. Initially, Preddy was cooperative with the department's investigation. However, as of August 23, 2018, Preddy has become uncooperative and ceased all communication with the department.

Failure to Respond to Department Inquiries

11. On August 23, 2018, the department sent a request for information pursuant to Section 38.001 of the Texas Insurance Code to Preddy. Preddy failed to respond.

LEGAL ALLEGATIONS

1. Preddy willfully violated an insurance law of this state, as contemplated in TEX. INS. CODE § 4005.101(b)(1);
2. Preddy misappropriated, converted to her 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. Preddy engaged in fraudulent or dishonest acts or practices, in violation of TEX. INS. CODE § 4005.101(b)(5);
4. Preddy operated an entity which directly and/or indirectly performed actions which constitute the business of insurance, as defined by TEX. INS. CODE § 101.051, without holding a proper license or other authorization issued by the department, in violation of TEX. INS. CODE § 101.102.
5. Preddy violated TEX. INS. CODE § 38.001 by failing to respond to a department inquiry in writing not later than the 15th day after the date the inquiry was received.

RELIEF SOUGHT

If one or more of the above allegations is found to be true, the commissioner may enter an order revoking your license, ordering you to cease and desist from certain activity, and/or imposing an administrative penalty, restitution, and additional sanctions and/or

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taking additional administrative action. You have the right to appear at this hearing and to be represented by an attorney. Please address any questions and correspondence to the undersigned counsel at the address or telephone number below.

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.

Sincerely,



LaKisha T. Seldon McKay
Staff Attorney
State Bar No. 24066982
Texas Department of Insurance
Legal and Enforcement Division - Enforcement Section, MC110-1A
P.O. Box 149104
Austin, Texas 78714-9104
(512) 676-6363 (Direct)
(512) 490-1020 (Fax)
lakisha.seldon.mckay@tdi.texas.gov

cc: Leah Gillum, Associate Commissioner, Enforcement Section, MC-110-1A
Ginger R. Loeffler, Director, Licensing Litigation Office, Enforcement Section, MC-110-1A
Administrative Review, MC107-1A

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CERTIFICATE OF SERVICE

I, LaKisha T. Seldon McKay, certify that a true and correct copy of this *Notice of Hearing* was sent by regular, first-class mail and by certified mail, return receipt requested, on this 9th day of November, 2018 to:

Melissa Jean Preddy
P.O. Box 1242
Forney, Texas 75126-1242
Respondent Pro Se

Via CM/RRR No.: 9214 8901 9403 8375 1139 94

A handwritten signature in black ink, appearing to read 'L. Seldon McKay', is written over a faint circular stamp or watermark.

LaKisha T. Seldon McKay



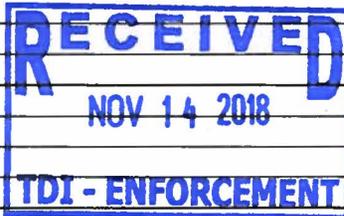
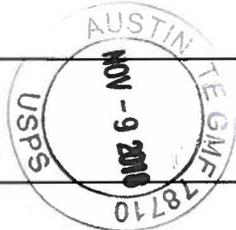
Name and Address of Sender
MC-110-1A M. Cook
Texas Department of Insurance
333 Guadalupe St
Austin TX 78701

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

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	Addressee (Name, Street, City, State, & ZIP Code™)	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. 9214 8901 9403 8375 1139 94 KISHA/12794	MELISSA JEAN PREDDY PO Box 1242 FORNEY TX 75126-1242	1.42	3.45	Handling Charge - if Registered and over \$50,000 in value							1.50				
									Adult Signature Required						
									Adult Signature Restricted Delivery						
									Restricted Delivery						
									Return Receipt						
									Signature Confirmation						
									Signature Confirmation Restricted Delivery						
									Special Handling						

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