

No. 2019- 5920

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

Date: APR 03 2019

Subjects Considered:

Home State County Mutual Insurance Company
P.O. Box 8036
Waco, Texas 76714-8036

Aggressive Insurance Services, LLC d/b/a Aggressive Insurance
Continental Insurance Services, LLC
4500 Fuller Drive, Suite 400
Irving, Texas 75038

Knoll General Agency, Inc. d/b/a A-Max Auto Insurance
Lake Shore Managing General Agency, Inc. d/b/a A-Max Insurance Services, Inc.
3030 North Stemmons Freeway, Suite B
Dallas, Texas 75247-6105

Saga International, Inc. d/b/a AAAA Insurance
12313 South Main Street
Houston, Texas 77035

Consent Order

TDI Enforcement File Nos. 11527, 11613, 11614, 11615, 11616 and 11617

General remarks and official action taken:

The subject of this order is whether disciplinary action should be taken against Home State County Mutual Insurance Company (Home State) and the following entities (collectively, the MGAs): Aggressive Insurance Services, LLC d/b/a Aggressive Insurance (Aggressive), Continental Insurance Services, LLC (Continental); Knoll General Agency, Inc. d/b/a A-Max Auto Insurance (Knoll); Lake Shore Managing General Agency, Inc. d/b/a A-

Max Insurance Services, Inc. (Lake Shore); and, Saga International, Inc. d/b/a AAAA Insurance (Saga).

Waiver

Home State and the MGAs acknowledge that the Texas Insurance Code and other applicable law provide certain rights. Home State and the MGAs waive all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order. Pursuant to TEX. INS. CODE § 82.055(b), Home State and the MGAs agree to this consent order with the express reservation that they do not admit to a violation of the Texas Insurance Code or of a rule and that the existence of a violation is in dispute.

Findings of Fact

License Information

1. Home State is a county mutual insurance company holding a certificate of authority to transact business in Texas.
2. The MGAs have held active managing general agency licenses with the department under the firm identification numbers and effective on the dates identified in the table below:

MGA	Identification Number	Date of MGA Licensure
Aggressive	27702	April 13, 2007
Continental	82628	June 7, 2013
Knoll	85038	August 26, 2013
Lake Shore	46755	June 29, 2011
Saga	7721	April 11, 2013

3. Aggressive and Saga hold additional licenses with the department. Aggressive has held a general lines property and casualty agency license since June 19, 2007, and a surplus lines agency license since July 5, 2011. Saga has held a general lines property and casualty agency license since August 19, 2008.
4. Home State is not affiliated with any of the MGAs. However, Aggressive and Continental are affiliated with one another, and Knoll and Lake Shore are affiliated with one another. Saga is not affiliated with any of the other MGAs.

5. Home State entered into contracts with the MGAs authorizing each of the MGAs to act on its behalf and is ultimately responsible for the oversight of the MGAs' practices and conduct on its behalf.

Background on the Laws Applicable to Named Driver Policies

6. Section 1952.0545 of the Insurance Code [S.B. 1567 (83rd Leg. R.S., Davis), eff. Sept. 1, 2013], requires insurers and agents to make written and oral disclosures to the applicant or insured, and obtain contemporaneous written confirmation of the oral disclosure, of the nature and limitations of named driver automobile insurance policies. Disclosures must be made before accepting any premium or fee for the named driver policy. S.B. 1567 applies only to named driver policies delivered, issued for delivery, or renewed on or after January 1, 2014.
7. On May 18, 2014, the department adopted amendments to 28 TEX. ADMIN. CODE § 5.204, to partially implement provisions of S.B. 1567 requiring that liability insurers writing a named driver policy must include the named driver disclosure in the standard proof of motor vehicle liability insurance form, i.e., the "Texas Liability Insurance Card."
8. On January 28, 2015, the department adopted 28 TEX. ADMIN. CODE § 5.208, implementing disclosure requirements in S.B. 1567 applicable to both new and renewal named driver policies.

Past Named Driver Business Practices

9. On and after January 28, 2015, the MGAs, on behalf of Home State, delivered, issued for delivery, and renewed named driver policies in varying term lengths, as identified below.

MGA	Policy Term Lengths
Aggressive	one, three, and six months
Continental	one, three, six and 12 months
Knoll	one and six months
Lake Shore	one and six months
Saga	one and six months

10. The named driver policies were written by the MGAs using a policy and certain named driver endorsement forms approved by the department for use by Home State. Those endorsement forms contained the named driver disclosure.
11. As of the date of this order, Home State and its MGAs have no named driver policies in force.
12. Each of the MGAs, acting on behalf of Home State, had varied processes, procedures, and practices regarding the acceptance of premium and fees for new and renewal named driver policies.
13. The department alleges that some of these processes, procedures, and practices did not comply with the laws applicable to named driver policies. The department alleges the violations varied in type and quantity depending upon the MGA in question because each MGA's methods of attempted compliance on behalf of Home State differed from one another. Therefore, Home State and the MGAs violated different aspects of the laws applicable to named driver policies.

Aggressive, Continental, Knoll, and Lake Shore

14. Aggressive, Continental, Knoll, and Lake Shore accepted premium and fees for some renewals of Home State named driver policies without: making the requisite oral disclosure; receiving a signed copy of the requisite written disclosure; and, without confirming contemporaneously in writing the provision of the oral disclosure.
15. When Aggressive, Continental, Knoll, and Lake Shore did not have documentation to demonstrate the provision of the oral and written disclosures to a named insured, they handled and processed claims under those Home State named driver policies as if the policy was not a named driver policy, providing full coverage to unnamed residents in the named insured's household.
16. This unilateral claims-handling treatment was done without the insured's knowledge or consent, and without informing the insured about the change in coverage. Specifically, Aggressive, Continental, Knoll, and Lake Shore did not deliver or issue for delivery to the insured a new non-named driver policy or a new Texas Liability Insurance Card not showing the named driver disclosure warning.

Saga

17. Saga did not attempt to renew any named driver policies it wrote on behalf of Home State. When a named driver policy was due for renewal, Saga removed the named driver endorsements from the insured's policy and expanded coverage to residents in the named insured's household, regardless of whether or not that policy had reached any 12-month anniversary of the original effective date of the policy. In addition, Saga issued to the insured a new Texas Liability Insurance Card which did not include the named driver disclosure.
18. Saga handled and processed claims for those Home State policies as full coverage policies because they no longer contained named driver endorsements.

Named Driver Run-Off and Mitigating Factors

19. Home State and the MGAs voluntarily chose to cease writing new named driver policies on the dates stated below. For each MGA, the last policy non-renewed, cancelled, or expired on the dates stated below:

MGA	Ceased writing new policies:	Last policy non-renewed, cancelled, or expired:
Aggressive	August 2016	February 4, 2017
Continental	January 2016	March 14, 2017
Knoll	December 8, 2015	March 27, 2017
Lake Shore	December 6, 2015	May 14, 2017
Saga	November 30, 2015	May 30, 2016

20. Saga wrote a total of 361 named driver policies on behalf of Home State between January 28, 2015, and May 30, 2016.
21. As of June 30, 2016, Home State had 40,757 named driver policies in force, with those policies distributed amongst the remaining MGAs as follows:

MGA	Policy Count
Aggressive	30,763
Continental	3,251
Knoll and Lake Shore	6,743
Total:	40,757

22. Home State, Aggressive, Continental, Lake Shore, and Knoll represent that they attempted in good faith to comply with the laws applicable to named driver policies. Some of the efforts they took included training and communication to individual agents on the importance of providing the oral and written named driver disclosures and receiving the written acknowledgement of the disclosures.
23. Home State, Aggressive, Continental, Lake Shore, and Knoll represent that because there were few claims processed for those named driver policies which they treated as non-named driver policies, they contend no insureds or third parties were harmed by their alleged conduct and efforts to comply.

Lake Shore's Use of Knoll's Trade-style

24. Beginning in 2011, Lake Shore continuously used Knoll's registered trade-style "A-Max Auto Insurance" in insurance documents, including applications, disclosures, summaries of coverage, notices, declarations pages, and renewal offers.
25. Lake Shore represents its use of Knoll's trade-style was unintentional and due to a programming oversight. Lake Shore represents correct prefix and policy numbers were programmed in its systems, which ensured that policies were processed using only Lake Shore's underwriting guidelines. Lake Shore further represents payments and claims were correctly assigned to and handled by Lake Shore. Therefore, Lake Shore represents that policyholders were not negatively impacted.
26. Lake Shore ran off all of its automobile insurance business and has not issued any new policies since January 1, 2016. Lake Shore renewed 20,656 policies since that time using Knoll's trade-style. In March 2018, Lake Shore's systems were updated to show its true name on all policy documents.
27. Between 2011 and March 2018, Lake Shore did not provide the department with a valid assumed name certificate reflecting a proper registration of Knoll's tradestyle for Lake Shore's own use.

Conclusions of Law

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051 – 82.055, 84.021 – 84.044, 801.051-801.053, 912.002, 912.101 – 912.152, 4005.101, and 4053.151.

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. Home State and the MGAs have knowingly and voluntarily waived all procedural rights to which they may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intent to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. Home State, Aggressive, Continental, Lake Shore, and Knoll violated TEX. INS. CODE § 1952.0545 and 28 TEX. ADMIN. CODE § 5.208 on and after January 28, 2015, by accepting a premium or fee for renewals of named driver policies without making the oral disclosure, without receiving a signed copy of the written disclosure, and failing to confirm contemporaneously in writing the provision of the oral disclosure.
5. Home State, Aggressive, Continental, Lake Shore, and Knoll violated TEX. INS. CODE § 525.002(a)(1)(A) and 28 TEX. ADMIN. CODE § 5.204(b)-(c) on and after September 1, 2015, by unilaterally expanding the insured's coverage without the insured's request or consent, yet failing to timely deliver or issue for delivery a non-named driver policy and a Texas Liability Insurance Card not showing the named driver disclosure to insureds whose named driver policies reached any 12 month anniversary of the original effective date of those policies.
6. Home State and Saga violated TEX. INS. CODE § 551.106(b) by refusing to renew named driver policies written for a term of less than one year, when those policies had not reached any 12-month anniversary of the original effective dates of those policies.
7. Lake Shore violated 28 TEX. ADMIN. CODE § 19.902 by failing to provide the department with a copy of the valid assumed name certificate reflecting proper registration of all assumed names utilized by Lake Shore.

Order

It is ordered that Home State County Mutual Insurance Company and the MGAs must pay an administrative penalty totalling \$32,500 within 30 days from the date of this order. The penalty is assessed as follows:

Home State and Aggressive Insurance Services, LLC must pay, jointly and severally an amount of \$15,000.

Home State and Continental Insurance Services, LLC must pay, jointly and severally an amount of \$5,000.

Home State, Knoll General Agency, Inc., and Lake Shore Managing General Agency, Inc. must pay, jointly and severally an amount of \$7,500.

Home State and Saga International, Inc. d/b/a AAAA Insurance must pay, jointly and severally an amount of \$5,000.

The administrative penalties 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 Section, Division 60851, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.

It is further ordered that if Home State or the MGAs choose to write named driver policies on or after the date of this order, each must operate in full compliance with TEX. INS. CODE §§ 525.002, 551.105, 551.106(b), and 1952.0545, and 28 TEX. ADMIN. CODE §§ 5.204 and 5.208.

It is further ordered that if it is found after a public hearing that Home State or any of the MGAs has failed to comply with any of the terms of this order, they may be subject to further action by the commissioner under the provisions of TEX. INS. CODE § 82.054.

This consent order pertains solely to the resolution of the department's allegations regarding the named driver policies written by the MGAs on behalf of Home State. This consent order does not: resolve any allegations or violations with respect to any other pending or anticipated Enforcement investigations; address or impact other department sections' and divisions' actions, proceedings, examinations, investigations, or duties; or, limit the authority of the commissioner or the department to initiate any action with respect to any other pending or anticipated Enforcement investigation.

Commissioner's Order
Home State County Mutual Insurance Company, et al.
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Kent C. Sullivan
Commissioner of Insurance

By:

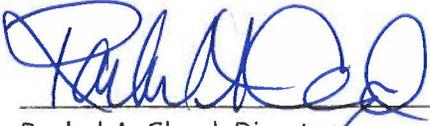


Doug Slape
Chief Deputy Commissioner
Commissioner's Order No. 2018-5528

Recommended and reviewed by:

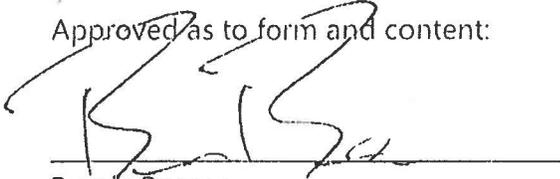


Leah Gillum, Associate Commissioner
Enforcement Section



Rachel A. Cloyd, Director
Enforcement Section

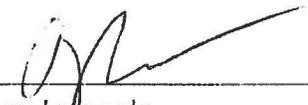
Approved as to form and content:



Burnie Burner
Mitchell, Williams, Selig, Gates & Woodyard, PLLC



Kimberly A. Yelkin or Andres Medrano
Foley & Lardner, LLP



Anthony Icenogle
Icenogle & Boggins, PLLC

Home State County Mutual Insurance Company
Affidavit

STATE OF Texas §

§

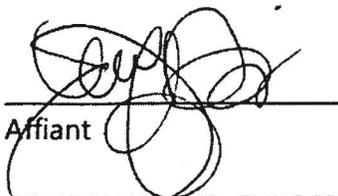
COUNTY OF Dallas §

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

"My name is Jennifer Davis. 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 President, and am the authorized representative of
Home State County Mutual Insurance Company. I am duly authorized by said
organization to execute this statement.

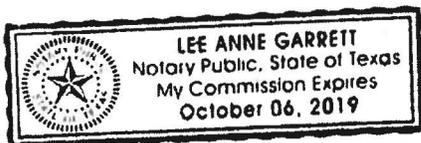
Home State County Mutual Insurance Company has knowingly and voluntarily entered
into the foregoing consent order and agrees with and consents to the issuance and service
of the same by the commissioner of insurance of the state of Texas."

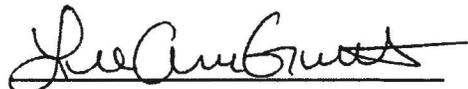


Affiant

SWORN TO AND SUBSCRIBED before me on March, 7, 2019.

(NOTARY SEAL)





Signature of Notary Public

Lee Anne Garrett

Printed Name of Notary Public

Aggressive Insurance Services, LLC d/b/a Aggressive Insurance
Affidavit

STATE OF TEXAS §

§

COUNTY OF Dallas §

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

"My name is Lauren Moore. 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 PRESIDENT, and am the authorized representative of Aggressive Insurance Services, LLC d/b/a Aggressive Insurance. I am duly authorized by said organization to execute this statement.

Aggressive Insurance Services, LLC d/b/a Aggressive Insurance 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."


Affiant

SWORN TO AND SUBSCRIBED before me on March 13, 2019.

(NOTARY SEAL)




Signature of Notary Public

Jonathan Mark Hall
Printed Name of Notary Public

Continental Insurance Services, LLC
Affidavit

STATE OF TEXAS §
§
COUNTY OF DALLAS §

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

"My name is Lauren Moore. 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 PRESIDENT, and am the authorized representative of
Continental Insurance Services, LLC. I am duly authorized by said organization to execute
this statement.

Continental Insurance Services, 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."

Lauren Moore
Affiant

SWORN TO AND SUBSCRIBED before me on March 13, 2019.

(NOTARY SEAL)



Jonathan Mark Hall
Signature of Notary Public

Jonathan Mark Hall
Printed Name of Notary Public

Knoll General Agency, Inc. d/b/a A-Max Auto Insurance
Affidavit

STATE OF TEXAS §
§
COUNTY OF DALLAS §

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

"My name is Irshad Meherally. 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 Director, and am the authorized representative of Knoll General Agency, Inc. d/b/a A-Max Auto Insurance. I am duly authorized by said organization to execute this statement.

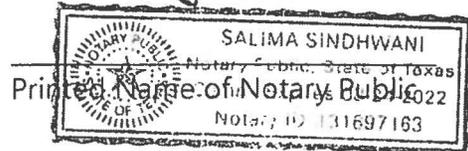
Knoll General Agency, Inc. d/b/a A-Max Auto Insurance has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

Irshad Meherally
Affiant

SWORN TO AND SUBSCRIBED before me on March 8, 2019.

(NOTARY SEAL)

Salima Sindhvani
Signature of Notary Public



Lake Shore Managing General Agency, Inc. d/b/a A-Max Insurance Services, Inc.
Affidavit

STATE OF TEXAS §
§
COUNTY OF DALLAS §

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

"My name is Irshad Meherally. 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 Director, and am the authorized representative of
Lake Shore Managing General Agency, Inc. d/b/a A-Max Insurance Services, Inc. I am duly
authorized by said organization to execute this statement.

Lake Shore Managing General Agency, Inc. d/b/a A-Max Insurance Services, Inc. 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."

Irshad Meherally
Affiant

SWORN TO AND SUBSCRIBED before me on March 8, 2019.

(NOTARY SEAL)

Salima Sindhwani
Signature of Notary Public
SALIMA SINDHWANI
Notary Public, State of Texas
Comm. Expires 08-24-2022
Notary ID: 731697183
Printed Name of Notary Public

