Official Order
of the
Texas Commissioner of Insurance

Date: 02/17/2022

Subject Considered:

Southern Vanguard Insurance Company
3730 Kirby Dr., Ste. 850
Houston, Texas 77098-3927

Consent Order
TDI Enforcement File Nos. 25133 & 25666

General remarks and official action taken:

This is a consent order with Southern Vanguard Insurance Company (Southern Vanguard). The department conducted a market conduct examination and found Southern Vanguard violated several provisions of the Texas Insurance Code and Title 28 of the Texas Administrative Code. Southern Vanguard has agreed to pay a $20,000 administrative penalty to resolve this case by consent order without a hearing.

Waiver

Southern Vanguard acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Southern Vanguard waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

Findings of Fact

1. Southern Vanguard is a fire and casualty company holding a certificate of authority to transact business in Texas.

2. The Texas Department of Insurance conducted a market conduct examination for the period of January 1, 2018, through December 31, 2018. The examination
reviewed the sales, advertising and marketing, underwriting and rating, claims practices, and consumer complaints related to Southern Vanguard’s homeowners’ line of business.

3. The purpose of the examination was to verify compliance with the Texas Insurance Code and Title 28 of the Texas Administrative Code.

4. During the exam, the department found violations of the Texas Insurance Code and the Texas Administrative Code in the sample of policies and claims reviewed that form the basis for most of the findings and imposition of sanctions in this Consent Order. Southern Vanguard accepted the examination report and did not request a hearing pursuant to TEX. INS. CODE § 751.206(f).

MGA Agreement

5. Southern Vanguard entered a non-exclusive managing general agency (MGA) agreement with its affiliate, RHP General Agency, Inc. (RHP), effective March 1, 2005. The agreement allowed RHP to perform a wide variety of duties on behalf of Southern Vanguard including appointing agents; to provide billing, accounting, and claim handling services; and to market, produce, and bind coverage.

6. Southern Vanguard failed to prepare and provide examination reports that must be maintained for at least three years and contain the minimum listed requirements.

Sales, Advertising and Marketing

7. Southern Vanguard appointed 782 active agents and terminated 172 active agents during the examination period. A sample of 100 policies issued during the examination period revealed that in 29 instances, Southern Vanguard issued a policy where the department was not notified of the appointment of a subagent who performed acts constituting acting as an agent.

Consumer Complaints/Inquiries

8. The department reviewed Southern Vanguard’s complaints and complaint records for legal compliance. Southern Vanguard received a total of nine complaints during the review period. All of the complaints were reviewed and two (22 percent) were considered confirmed.
9. Southern Vanguard’s complaint log failed to capture the required elements listed below:
   a. complaint identification information,
   b. function and reason categories,
   c. line type,
   d. company disposition after receipt,
   e. date received,
   f. date closed,
   g. source of complaint, and
   h. state of origin.

10. Additionally, in five other instances Southern Vanguard failed to timely respond to consumer complaints.

Failure to File Declaration Pages

11. During review of a consumer complaint, the department discovered Southern Vanguard’s fire dwelling and homeowner’s insurance policy declaration pages had not been filed with and approved by the department.

12. Southern Vanguard was purchased from the Republic Group in 2014, and as a result, the entirety of Southern Vanguard’s corporate history is not available. Southern Vanguard believes the declaration page has been in use since 2005.

13. Southern Vanguard, under its new ownership, filed the declaration page on October 20, 2020, and the department approved it as filed on November 5, 2020. Southern Vanguard represents that approximately 26,000 insureds received the declaration page each year between 2015 and its filing in 2020.

14. Southern Vanguard has cooperated with the department’s investigation and has asserted that the failure to file the declaration pages was an oversight.

Market Conduct - Subsequent Events and Other Disclosures

15. All 29 agents identified as un-appointed subagents during the review period were subsequently appointed by Southern Vanguard during the period of June through December 2019 as direct agents.
16. Southern Vanguard implemented a new centralized standard for processing complaints that included directing all inquiries to a secretary, allowing one way to log, track, and respond to inquiries timely.

17. During the on-site market conduct examination, Southern Vanguard provided a revised complaint log that included all the required elements.

Conclusions of Law

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051–82.055, 84.021–84.044, 4001.205, and Chs. 751, 861, and 862.

2. The commissioner has the authority to dispose of this matter informally 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. Southern Vanguard 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. Southern Vanguard violated TEX. INS. CODE § 38.001(c) by failing to respond to a department inquiry in writing not later than the 15th day after the date Southern Vanguard received the inquiry.

5. Southern Vanguard violated TEX. INS. CODE § 2301.056 and 28 TEX. ADMIN. CODE § 5.9323 by failing to file its residential property insurance policy declaration pages with the department.

6. Southern Vanguard violated TEX. INS. CODE § 4001.205(a) by failing to notify the department of the appointment of a subagent who performed acts under TEX. INS. CODE § 4001.051.¹

7. Southern Vanguard violated 28 TEX. ADMIN. CODE § 19.1204(b)(20) by failing to prepare and provide examination reports that must be maintained for three years and contain the minimum listed requirements.

¹ This violation occurred prior to the repeal of Texas Insurance Code Section 4001.205.
8. Southern Vanguard violated 28 TEX. ADMIN. CODE § 21.2504(b-i) by failing to include the required elements in its complaint log.

Order

It is ordered that Southern Vanguard Insurance Company pay an administrative penalty of $20,000 within 30 days from the date of this order. The administrative penalty must be paid as instructed in the invoice, which the department will send after entry of this order.

Cassie Brown
Commissioner of Insurance
Commissioner's Order
Southern Vanguard Insurance Company
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Recommended and reviewed by:

[Signature]
Leah Gillum, Deputy Commissioner
Enforcement Division

[Signature]
Cassie Tigue, Staff Attorney
Enforcement Division

Approved as to form and content:

[Signature]
Jay Thompson, Counsel
Southern Vanguard Insurance Company
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Affidavit

STATE OF Texas §

COUNTY OF Hidalgo §

Before me, the undersigned authority, personally appeared [Name], who being by me duly sworn, deposed as follows:

"My name is [Name]. 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 [Title] and am the authorized representative of Southern Vanguard Insurance Company. I am duly authorized by said organization to execute this statement.

Southern Vanguard 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."

[Signature]
Affiant

SWORN TO AND SUBSCRIBED before me on January 11, 2022.

[Notary Seal]

Signature of Notary Public

Printed Name of Notary Public