

No. **2020-6477**

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

**Date: 09/24/2020**

**Subject Considered:**

Allied Trust Insurance Company  
4200 W. Cypress St., Ste. 520  
Tampa, Florida 33607

Consent Order  
TDI Enforcement File No. 21833

**General remarks and official action taken:**

This is a consent order with Allied Trust Insurance Company (Allied Trust). Allied Trust violated several provisions of the Texas Insurance Code and Title 28 of the Texas Administrative Code as found in a targeted market conduct examination. Allied Trust has agreed to pay a \$45,000 administrative penalty for these violations.

**Waiver**

Allied Trust acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Allied Trust waives all 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), Allied Trust agrees to this consent order with the express reservation that it does not admit to a violation of any provision of the Insurance Code or rule or regulation of the department, and maintains the existence of any violation is in dispute.

**Findings of Fact**

1. Allied Trust, company identification no. 109427, 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, 2017, through December 31, 2017. The examination

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reviewed the sales, advertising and marketing, underwriting and rating, claims practices, and consumer complaints/inquiries of Allied Trust's homeowners' 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 Texas Administrative Code in the sample of policies and claims reviewed.

### Violations in the MGA agreement

5. Allied Trust entered into an exclusive agreement and utilized a managing general agency with affiliate, Allied Underwriters, LLC, effective May 12, 2015. Allied Trust authorized Allied Underwriters, LLC, to market, underwrite, and administer all insurance products offered by Allied Trust and serve as exclusive claims administrator.
6. Allied Trust failed to appoint Allied Underwriters, LLC, as its managing general agent.
7. Allied Trust also failed to conduct the required managing general agency audit.

### Sales, Advertising and Marketing review

8. Allied Trust appointed 346 active agents and terminated three agents during the examination period. A sample of 100 homeowners' policies issued during the examination period revealed that 27 policies were serviced by an un-appointed agent or subagent.
9. Another 14 policies listed an agency on the declarations page that was not appointed to act as an agent on behalf of Allied Trust.

### Underwriting and Rating Practices Review

10. Allied Trust did not return premium due to the insured not later than the 15<sup>th</sup> business day after the effective date of cancellation or termination of the policy.

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### Claims Practices

11. The examination reviewed Allied Trust's claim files for compliance with policy provisions, timeliness and accuracy of payments, supporting documentation, general claim handling, and legal compliance. Sampled claims included paid claims, denied or closed without payment claims, and pending and litigated claims.
12. A review of claims found that Allied Trust:
  - a. failed to timely notify a claimant in writing of the acceptance or rejection of a claim,
  - b. failed to timely pay a claim,
  - c. failed to timely acknowledge receipt of a claim, and
  - d. failed to adopt and implement reasonable standards for the prompt investigation of claims.

### Consumer Complaints/Inquiries

13. The examination reviewed Allied Trust's complaint files for legal compliance. Allied Trust received a total of nine complaints during the timeframe of the examination. All complaints were reviewed and three (33 percent) were considered confirmed.
14. Allied Trust failed to adopt and implement reasonable standards for the prompt investigation of claims arising under the policy.
15. Allied Trust failed to timely notify a claimant in writing of the acceptance or rejection of a claim.

### Subsequent Events and Other Disclosures

16. This was the first market conduct examination performed on Allied Trust. The exam covered a challenging time period in which Allied Trust was dedicating substantial resources to respond to the aftermath of Hurricane Harvey. During the examination, as possible violations were identified, Allied Trust took immediate action to successfully address and resolve the issues.
17. Immediately, upon learning that Allied Underwriters LLC, an affiliate, had not been formally appointed as a managing general agent, Allied Trust made the appointment and conducted an audit.

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18. Allied Trust has implemented a verification procedure to assure that all agents and subagents are properly appointed in accordance with its approved managing general agency contract.
19. To ensure compliance with all statutes and rules, including the prompt payment of claims requirements, Allied Trust has, through its managing general agent, replaced its third-party administrator. Allied Trust has implemented additional oversight measures, including charging its Vice President of Claims to conduct periodic audit and reviews of the new third-party administrator, to ensure compliance.
20. Allied Trust has no history of non-compliance. The market conduct exam reviewed Allied Trust's underwriting and rating practices, policy forms and filings, and policy issuance and noted no exceptions or non-compliance.

### **Conclusions of Law**

1. The commissioner of insurance has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051-82.055, and 84.021-84.044, and chs. 751, 861 and 862.
2. The commissioner of insurance has authority to informally dispose of this matter under TEX. INS. CODE § 82.055, TEX. GOV'T CODE § 2001.056, and 28 TEX. ADMIN. CODE § 1.47.
3. Allied Trust 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. Allied Trust violated TEX. INS. CODE § 4053.054 by failing to properly appoint its managing general agent.
5. Allied Trust violated 28 TEX. ADMIN CODE § 19.1204(b)(19)(B) by failing to conduct the required managing general agency audit on its managing general agent.
6. Allied Trust violated TEX. INS. CODE § 558.002(d) by failing to return premium due to the insured not later than the 15<sup>th</sup> business day after the effective date of cancellation or termination of the policy in two instances.

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7. Allied Trust violated TEX. INS. CODE §§ 4001.201 and 4001.205 by allowing an unappointed person to issue or service policies on its behalf in 41 instances.
8. Allied Trust violated TEX. INS. CODE § 542.003(b)(3) because it failed to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies in three instances.
9. Allied Trust violated TEX. INS. CODE § 542.055(a)(1) because it did not acknowledge receipt of the claim not later than the 15<sup>th</sup> day after the date it received notice in one instance.
10. Allied Trust violated TEX. INS. CODE § 542.056(a) because it failed to notify the claimant in writing of acceptance or rejection of a claim not later than the 15<sup>th</sup> business day after the date it received all items, statements, and forms required to secure proof of loss in nine instances.
11. Allied Trust violated TEX. INS. CODE § 542.057(a) because it failed to pay a claim not later than the fifth business day after the date notice is made in three instances.

### Order

It is ordered that Allied Trust Insurance Company must pay an administrative penalty of \$45,000. The administrative penalty must be paid 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." Mail the administrative penalty to the Texas Department of Insurance, Attn: Enforcement Division, Division 60851, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.

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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, Deputy Commissioner  
Enforcement Division



Whitney Fraser, Attorney  
Enforcement Division

