

**NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA**

STATE OF NORTH CAROLINA

**BEFORE THE COMMISSIONER
OF INSURANCE**

COUNTY OF WAKE

**IN THE MATTER OF)
CONTINENTAL CASUALTY GROUP, INC.,)
a.k.a. CONTINENTAL CASUALTY INSURANCE)
GROUP, INC. AND CCIG INSURANCE)
SERVICES, JAMIE MORGAN,)
WILLIAM BAXTER, AND DEREK)
LLOYD)**

Docket # 1365

**Emergency Cease and Desist
Order, Notice of Hearing,
And Order To
Produce Documents
and Information**

TO: Continental Casualty Group, Inc.
a.k.a. Continental Casualty Insurance Group, Inc.
and CCIG Insurance Services
1700 W. Hamlin Rd, Suite 210
Rochester Hills, MI 48309

Jamie Morgan
9595 Bartel
Columbus, MI 48063

William Baxter
Continental Casualty Group, Inc.
aka Continental Casualty Insurance Group, Inc.
and CCIG Insurance Services
1700 W. Hamlin Rd, Suite 210
Rochester Hills, MI 48309

Derek Lloyd
Director
AMS Insurance (Nevis) Limited
Springgates South, Lower
Government Road
Charlestown, Nevis
(T) 1-284-499-8027

ORDER TO CEASE AND DESIST

Pursuant to N. C. Gen. Stat. § 58-28-20(d) and any other applicable statutes and rules, the undersigned Hearing Officer hereby orders Continental Casualty Group, Inc., a.k.a. Continental Casualty Insurance Group, Inc. and CCIG Insurance Services [hereinafter, "CCIG"], William Baxter, Jamie Morgan, Derek Lloyd [hereinafter referred to as Respondents] and any other agent of CCIG to immediately cease and desist from marketing and selling unauthorized insurance on property located in North Carolina.

Based on the sworn affidavit of Terry Dorman presented to the undersigned in this matter, the undersigned Hearing Officer finds that the interests of the public may be irreparably harmed if the above-named Respondents are not ordered to immediately cease and desist from marketing and selling unauthorized insurance on property located in North Carolina and the undersigned Hearing Officer finds that the Commissioner has evidence of the following:

1. CCIG has violated G.S. § 58-28-5 by soliciting applications for flood insurance policies, issuing and delivering contracts of insurance, and collecting premiums for flood insurance policies covering property located in Topsail Beach, North Carolina from owners of such property. CCIG is not licensed as an insurance company in this State and is not an eligible surplus lines insurer in this State. Since CCIG is not licensed as an insurance company in this State, any losses incurred by property owners insured by CCIG will not be paid by this State's insurance guaranty fund in the event of CCIG's insolvency.
2. CCIG operates a business in Rochester Hills, Michigan. CCIG is not registered as

a corporation in Michigan or North Carolina. Information provided by the Nevis, West Indies, Registrar of Insurance indicates that CCIG has applied to be licensed as a captive insurer in Nevis. However, CCIG's application has not been finalized. William Baxter is a principal of CCIG who works in the Rochester Hills, Michigan office. AMS Trustees (Nevis) Limited is CCIG's registered agent in Charlestown, Nevis, West Indies. AMS Insurance (Nevis) Limited serves as the insurance manager to CCIG. Derek Lloyd is a Director of AMS Insurance (Nevis) Limited.

3. William Baxter hired Jamie Morgan, a licensed insurance agent in Michigan, to market flood insurance policies issued by CCIG. Mr. Morgan is not a licensed insurance agent in North Carolina. At Mr. Baxter's direction, Mr. Morgan has been violating N.C.G.S. § 58-28-5 by marketing special risk flood insurance policies to Topsail Beach realtors and to current and prospective owners of property located in the Coastal Barrier Resources Act ["CBRA"] Zone in Topsail Beach, North Carolina since at least December 2006. In particular, Mr. Morgan has solicited applications for contracts of insurance by making telephone calls and sending letters and e-mails to current and prospective Topsail Beach property owners and to Topsail Beach realtors.

4. Although CCIG does not have an office in North Carolina, CCIG has misled consumers by listing a Raleigh mailing address for CCIG on the policy application and on correspondence sent by Jamie Morgan to prospective insureds.

5. CCIG also maintains an internet website through which it promotes its low cost flood insurance policies to current and prospective Topsail Beach property owners.

6. In its promotional materials, CCIG has offered to provide special risk flood insurance coverage exclusively to owners of any property located in the Topsail Beach CBRA

Zone for either 10% off the insured's current policy premium or for a flat rate of \$7,000. The advertised CCIG premium rate is lower than the usual flood insurance premium rate for properties located in the CBRA zone. CCIG has issued Certificates of Insurance to Topsail Beach property owners for coverage amounts of \$250,000.

7. When CCIG initiated its marketing campaign in December 2006, it encouraged prospective insureds to respond quickly to CCIG's offer by representing that CCIG only had 200 policies available and by inviting prospective insureds to reserve a policy until their current flood policy expires. In a January 9, 2007 fax to a prospective insured, Jamie Morgan represented that CCIG only had 152 policies left to sell. That statement leads to the conclusion that CCIG has already sold at least 48 illegal flood insurance policies to unsuspecting owners of property in the Topsail Beach CBRA zone since December 2006.

For the foregoing reasons, Respondents and any other agent of CCIG shall immediately

CEASE AND DESIST from:

- a. Contracting to provide insurance in this state for risks located in this state, whether as an insurer, agent, or by any other method, without first complying fully with the statutes and regulations of the State of North Carolina and the Department;
- b. Offering, selling, and marketing insurance in this state for risks located in this state, whether as an insurer, agent, or by any other method, without first complying fully with the statutes and regulations of the State of North Carolina and the Department;
- c. Taking or receiving an application for insurance offered by CCIG or any other entity which is not either a licensed insurer or eligible surplus lines insurer in this State;
- d. Issuing or delivering contracts of insurance and certificates of insurance or other evidence of insurance coverage issued by CCIG or any other entity which is not either a licensed insurer or eligible surplus lines insurer in this State;
- e. Soliciting, negotiating, procuring or effectuating insurance coverage, or renewals thereof, disseminating information as to coverage or rates, forwarding applications, delivering policies or contracts, or in any other manner representing or assisting CCIG in the transaction of

insurance with respect to subjects of insurance located or to be performed in this state;

f. Directly or indirectly acting as an agent for, or otherwise representing or aiding in the solicitation, negotiation, procurement or effectuation of insurance coverage issued by CCIG or by any other entity which is not either a licensed insurer or eligible surplus lines insurer in this State;

g. Making, publishing, disseminating, circulating or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement for or regarding any insurance issued by CCIG or any other entity which is not either a licensed insurer or eligible surplus lines insurer in this State;

h. Conducting insurance business within the meaning of the North Carolina statutes relating to insurance, or otherwise acting as an insurer in this State, without first complying fully with the North Carolina General Statutes and the regulations of the Department; and

i. Receiving or collecting any premiums, commissions, or other consideration for insurance issued by CCIG or any other entity which is not either a licensed insurer or eligible surplus lines insurer in this State.

NOTICE OF HEARING

Pursuant to North Carolina General Statutes, Chapter 58, Article 28, North Carolina General Statutes, Chapter 150B, Article 3A, North Carolina General Statutes §§ 58-2-50, 58-2-55, 58-2-70, 58-3-125, 58-3-5, 58-28-10, 58-28-20, 58-28-45, 150B-38, 150B-40, and other applicable statutes and rules, notice is given that an administrative hearing will be convened before the Commissioner of Insurance, or before a hearing officer duly designated by him, on **April 19, 2007, at 10:00 a.m.**, in Room # 3099 of the Dobbs Building, located at 430 North Salisbury Street, Raleigh, Wake County, North Carolina. The hearing may subsequently be moved to a more suitable room in the building. The purpose of this hearing is to determine: (1) Whether Respondents are in violation of N.C.G.S. § 58-28-5 by having entered into a contract or

contracts of insurance as an insurer in this State or by transacting insurance business in this State as set forth in N.C.G.S. § 58-28-10 without first being issued a certificate of authority or license to act as an insurance company, (2) Whether Respondents William Baxter, Jamie Morgan, and Derek Lloyd have violated N.C.G.S. § 58-28-45(a) by acting as an agent for an insurer not authorized to transact business in this State or by negotiating for or placing or aiding in placing insurance coverage in this State for another with any such insurer, (3) Whether the Commissioner should issue an order to Respondents pursuant to N.C.G.S. § 58-28-20 to cease and desist from violating N.C.G.S. § 58-28-5, and (4) Whether the Commissioner should impose a fine on Respondents for violations of N.C.G.S. §§ 58-28-5 and 58-28-45(a).

I. ALLEGATIONS AND CHARGES

At this hearing, the following allegations and charges shall be considered:

1. CCIG operates a business in Rochester Hills, Michigan. CCIG is not licensed as an insurer in this State and is not an eligible surplus lines insurer in this State. CCIG is not registered as a corporation in Michigan or North Carolina. Information provided by the Nevis, West Indies, Registrar of Insurance indicates that CCIG has applied to be licensed as a captive insurer in Nevis. However, CCIG's application has not been finalized. William Baxter is a principal of CCIG who works in the Rochester Hills, Michigan office. AMS Trustees (Nevis) Limited is CCIG's registered agent in Charlestown, Nevis, West Indies. AMS Insurance (Nevis) Limited serves as the insurance manager to CCIG. Derek Lloyd is a Director of AMS Insurance (Nevis) Limited.

2. William Baxter hired Jamie Morgan, a licensed insurance agent in Michigan, to market flood insurance policies issued by CCIG. Mr. Morgan is not a licensed insurance agent in

North Carolina. At Mr. Baxter's direction, Mr. Morgan has been violating N.C.G.S. §§ 58-28-5 and 58-28-45(a) by marketing special risk flood insurance policies to Topsail Beach realtors and to current and prospective owners of property located in the Coastal Barrier Resources Act ["CBRA"] Zone in Topsail Beach, North Carolina since at least December 2006. In particular, Mr. Morgan has solicited applications for contracts of insurance by making telephone calls and sending letters and e-mails to current and prospective Topsail Beach property owners and to Topsail Beach realtors.

3. Although CCIG does not have an office in North Carolina, CCIG has misled consumers by listing a Raleigh mailing address for CCIG on the policy application and on correspondence sent by Jamie Morgan to prospective insureds.

4. CCIG also maintains an internet website through which it promotes its low cost flood insurance policies to current and prospective Topsail Beach property owners.

5. CCIG has violated G.S. § 58-28-5 by soliciting applications for flood insurance policies, issuing and delivering contracts of insurance, and collecting premiums on flood insurance policies covering property located in Topsail Beach from individuals who own such property.

6. CCIG has offered to provide special risk flood insurance coverage exclusively to owners of any property located in the Topsail Beach CBRA Zone for either 10% off the insured's current policy premium or for a flat rate of \$7,000. The advertised CCIG premium rate is lower than the usual flood insurance premium rate for properties located in a CBRA Zone. CCIG has issued Certificates of Insurance to Topsail Beach property owners for coverage amounts of \$250,000.

7. When CCIG initiated its marketing campaign in December 2006, it encouraged prospective insureds to respond quickly to CCIG's offer by representing that CCIG only had 200 policies available and by inviting prospective insureds to reserve a policy until their current flood policy expires. In a January 9, 2007 fax to a prospective insured, Jamie Morgan represented that CCIG only had 152 policies left to sell. This statement leads to the conclusion that CCIG has already sold at least 48 illegal flood insurance policies to unsuspecting owners of property in the Topsail Beach CBRA zone since December 2006.

II. POSSIBLE ADVERSE ADMINISTRATIVE ACTION

Based upon the foregoing, it is alleged that Respondents should be ordered pursuant to N.C.G.S. § 58-28-20 to cease and desist from violating N.C.G.S. § 58-28-5 and to pay fines for violating N.C.G.S. §§ 58-28-5 and 58-28-45(a) pursuant to N.C.G.S. §§ 58-28-10 and 58-28-45(h).

III. PROCEDURES FOR THE HEARING

- A. At this hearing, Respondents will be given the opportunity directly or through counsel to present evidence on issues of fact, examine documents and cross examine witnesses, submit rebuttal evidence and make arguments as to issues of law.
- B. Please be advised that N.C.G.S. § 58-33-95 makes any person representing an insurer personally liable on all contracts of insurance unlawfully made by or through him, directly or indirectly, for any company not authorized to do business in the State. Also be advised that pursuant to the provisions of N.C.G.S. § 58-33-

46(a)(2), any person currently licensed as an agent by the Commissioner may be subjected to license suspension, revocation or nonrenewal for violating any insurance law.

C. As a result of this hearing, the Commissioner may reduce his findings to writing and issue and cause to be served upon such person or persons an order to cease and desist from violating the provisions of N.C.G.S. § 58-28-5, which make it unlawful for any company to enter into a contract of insurance as an insurer or to transact insurance business in this State without first obtaining a certificate of authority or a license. N.C.G.S. § 58-28-30 makes any person who willfully violates a cease and desist order of the Commissioner, after it has become final, and while such order is in effect, subject to the provisions of N.C.G.S. § 58-2-70. N.C.G.S. § 58-2-70 authorizes the Commissioner to impose upon such person a penalty of not less than one hundred dollars (\$100.00) and not more than one thousand dollars (\$1,000.00) per violation. Furthermore, subsection (c) thereof provides that each day during which a violation occurs constitutes a separate offense.

D. Please be advised that N.C.G.S. § 58-28-10 subjects any company who is found guilty of violating any of the provisions of such section while not authorized to do business within this State to a penalty of not less than one thousand dollars (\$1,000) nor more than five thousand dollars (\$5,000) for each offense, provided that each day in which a violation occurs shall constitute a separate offense.

E. Your failure to appear at the hearing will not prevent the Commissioner or

Hearing Officer from hearing the evidence and entering any appropriate Order as authorized by law.

ORDER TO PRODUCE DOCUMENTS AND INFORMATION

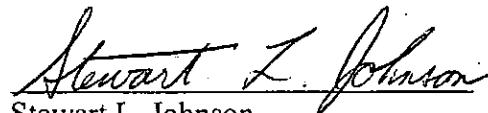
Pursuant to N.C.G.S. § 58-2-50 and other applicable statutes, each Respondent is ORDERED to produce the following:

- A. A list of the names, addresses, and phone numbers of any persons who are responsible for or who manage Continental Casualty Group, Inc.'s (a.k.a. Continental Casualty Insurance Group, Inc. and CCIG Insurance Services) ["CCIG"] North Carolina activities, and the names, addresses, and phone numbers of all persons marketing or in any way representing CCIG in North Carolina.
- B. A list of the names, addresses and phone numbers of any and all individuals or entities to which CCIG has issued flood insurance policies on property located in North Carolina.
- C. Copies of any and all contracts, policies, brochures, literature, application forms, disclosure forms and other documents that have been used, or are expected to be used by CCIG in North Carolina in connection with flood insurance policies issued by CCIG.
- D. Documentation, including policy copies, of any reinsurance or stop loss insurance provided to CCIG by any insurance company.
- E. A list of the full names and addresses of all officers of Continental Casualty

Insurance Group, Continental Casualty Group, Inc. and CCIG Insurance Services.

- F. A list of the full names and addresses of all individuals or entities which have an ownership interest in Continental Casualty Insurance Group, Continental Casualty Group, Inc. and CCIG Insurance Services.
- G. CCIG's most recent financial statement/certification. Respondents shall produce originals or legible copies of the documents ordered to be produced to Terry Dorman, Chief Examiner, Unlicensed Plan Investigations, at his address of North Carolina Department of Insurance, 1201 Mail Service Center, Raleigh, North Carolina 27699-1201 on or before the day of March 1, 2007.

This 7th day of February, 2007.



Stewart L. Johnson
Hearing Officer
N.C. Department of Insurance
Post Office Box 26387
Raleigh, NC 27611
(919) 715-0011

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this day I have served the foregoing **ORDER TO CEASE AND DESIST, NOTICE OF HEARING, AND ORDER TO PRODUCE DOCUMENTS** by mailing a copy thereof by federal express, addressed as follows:

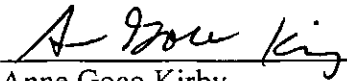
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Derek Lloyd
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Government Road
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(T) 1-284-499-8027

This the 8th day of February, 2007.


Anne Goco Kirby
Assistant Attorney General
North Carolina Department of Justice
Post Office Box 629
Raleigh, North Carolina 27602-0629
Telephone: (919) 716-6610
North Carolina State Bar No. 13613
E-mail: akirby@ncdoj.gov