



April 19, 1993

BULLETIN #574

BULLETIN TO ALL MEMBERS:

RE: FINANCIAL SERVICES INSURANCE LIMITED (BERMUDA)

We have been requested by the California Insurance Department, acting in accordance with and pursuant to Section 1765.1 of the Insurance Code, to advise all Surplus Line brokers and Special Lines Surplus Line brokers that effective April 14, 1993, unless and until notified by the Department to the contrary, the above insurer should not be employed for placements of California business. No further new or renewal business may be placed with the company.

Please see attached documentation for further information.

James S. Pugh
Assistant Manager

JSP/imb

Enclosure

JOHN GARAMENDI, Insurance Commissioner
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24th FLOOR
SAN FRANCISCO, CA 94105

April 14, 1993

The Surplus Line Association of California
388 Market Street, Suite 1150
San Francisco, CA 94111

**Subject: FINANCIAL SERVICES INSURANCE LIMITED (Bermuda)
Order Pursuant to California Insurance Code Section 1765.1**

Dear Gentle People:

Please issue a bulletin to your members notifying them that Financial Services Insurance Limited (Bermuda) is unacceptable pursuant to CIC S 1765.1 for placement of new or renewal business.

Attached please find a copy of the Department's Order to this company and its representatives.

Very truly yours,
Carol A. Harmon
Staff Counsel
(415) 904-5966

cc: Janice E. Kerr, CDI General Counsel
Victoria S. Sidbury, CDI Assistant Chief Counsel Financial services Insurance
TOMA
Howard-James
Great Republic

JOHN GARAMENDI, Insurance Commissioner
STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24th FLOOR
SAN FRANCISCO. CA 941 05

April 14, 1993

Financial Services Insurance Limited
Cedar House
41 Cedar Avenue
Hamilton, Bermuda

TOMA Surplus Lines Insurance Brokers, Inc.
P. O. Box 12529
4553 Glencoe Ave., Ste. 305
Marina Del Rey, CA 90292

Howard-James Company
P.O. Box 5758
Sherman Oaks, CA 91413

(courtesy copy)
Great Republic Insurance Agency, Inc.
1335 Hotel Circle South
Suite 306

San Diego, CA 92108

**SUBJECT: Financial Services Insurance Limited (Bermuda)
ORDER PURSUANT TO CIC Sea. 1765.1**

Dear Gentle People:

Pursuant to California Insurance Code (CIC) Section 1765.1, the Department has obtained and reviewed information concerning Financial ServiceS Insurance Limited (Bermuda), hereinafter ("FSIL") The Department's review is guided by legal and accounting standards as set forth in our California Insurance Code and other California laws. The Department has a number of concerns which require the issuance of an order and bulletin pursuant to CIC 1765.1 ordering that no further business be placed with FSIL.

Accordingly, the Department hereby orders that FSIL is unacceptable for the placement of further new or renewal business pursuant to CIC S 1765.1. The bases for the CIC S 1765.1 Order are as follows:

I. ARREST OF FSIL'S PRESIDENT ON CHARGES OF INSURANCE FRAUD

On or about April 1, 1993, Mr. Tony Habib, President' of FSIL was arrested by the federal authorities and charged in U.S.A. v. Habib, USDC Crim. No. 93-289 (SD NY) with violation of 18 U.S.C. 1341, using the U. S. mails to carry out a scheme of insurance fraud.

The Complaint alleges, among-others things, that FSIL's President misrepresented the assets of FSIL to certain state regulatory agencies, including California, (through the surplus line brokers misrepresentations, FSIL's President issued documents indicating that FSIL had a portfolio of U.S. Treasury notes and bonds worth approximately \$52 million.

In fact, the purported portfolio was non-existent, and FSIL's financial condition was and is dangerously under-capitalized.

The above summary of the charges in the case of U.S.A. v. Habib reveal the most severely compromised reputation and integrity of this company, as well as the financial instability of FSIL. Accordingly, an Order Pursuant to CIC S 1765.1 must issue.

II. FORFEITURE PROCEEDING AGAINST FSIL'S ASSOCIATE ENTITY IIFS ON CHARGES OF ILLEGAL MONEY LAUNDERING

In a related action to the above referenced arrest of FSIL's president on charges of insurance fraud, the U. S. Postal Inspection Service-seized the assets of International Investments Financing Services Corp. ("IIFS") . IIFS is a related entity also managed and controlled by FSIL's President Habib. This seizure was based on charges that the business of IIFS had been used as part of a money laundering scheme. (U. S.A. v. Any and All Assets of International Investments Financingg Services Corp, et al., In Rem

Seizure Warrant Pursuant to 18 U.S.C. S 981(f), USDC No. 93-724(d) (SD NY.)

This related action reflects further infamy on the reputation and integrity of FSIL and its management and independently and alternatively would warrant the issuance of the instant Order Pursuant to CIC S 1765.1 herein.

Domestic Insurance - Proposed Order
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III. FINANCIAL INSTABILITY -- UNVERIFIED AND NON-ADMISSIBLE ASSETS

In addition to the above referenced arrest and seizure matters, FSIL is likewise unacceptable for the placement of new or renewal policies with California insureds for the reason that its major reported asset, a claimed portfolio of \$52.5 million An Treasury notes and bonds, has never been authenticated by the company.

FSIL has repeatedly refused to verify the existence of such asset, has denied the Department the opportunity to examine copies of the alleged notes and bonds, and has even refused to disclose the name of the bank and the account numbers for the purported investments. Such refusal is continuing, despite the Department's warnings that failure to verify the company assets would result in FSIL being deemed unacceptable for placement of surplus line policies.

When these unauthenticated assets of \$52.5 million are discounted from FSIL's financial statements, a negative capital and surplus results. This company has totally insufficient funds to meet the demands of present and future claimants. Accordingly, FSIL is unacceptable for placement of new or renewal policies through California surplus line brokers.

THEREFORE, PLEASE NOTE AS FOLLOWS:

FINANCIAL SERVICES INSURANCE LIMITED (Bermuda) is unacceptable for placement of further new or renewal business pursuant to CIC 1765.1 for all the foregoing reasons, including

1. FSIL's discredited reputation and integrity due to the arrest of its president and managing officer on charges of insurance fraud;
 2. FSIL's impaired reputation and integrity due to the seizure of the assets of its related corporation IIFS for money laundering schemes; and
 3. FSIL's inadequate financial stability due to its failure to authenticate and verify its major reported assets.
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PLEASE TAKE FURTHER NOTE THAT you may make a written request or a hearing within thirty (30) days of your receipt of this - order. Should you so request, the Department will set a hearing within twenty (20) to thirty (30) days of its receipt of your written request.

Sincerely,

Carol A. Harmon

Staff Counsel

(415) 904-5966

cc: Janice E. Kerr, General Counsel

Victoria Sidbury, Chief, Corporate Affairs Bureau SLA

SLA