



April 26, 1993

BULLETIN #578

RE: FINANCIAL SERVICES INSURANCE LIMITED (Bermuda)

We refer you to Bulletin #574 dated April 19, 1993 relative to the unacceptability of California exportations into Financial Services Insurance Limited.

Please note that Howard-James Company, P.O. Box 5758, Sherman Oaks, California, 91413, was incorrectly included in the list of brokers using the aforementioned company. Filings received in this office indicate that Howard-James Company has not placed any business in Financial Services Insurance Limited.

Both the California Department of Insurance and the Surplus Line Association of California regret any inconvenience this may have caused and we extend our apologies to Howard-James Company. We are enclosing a revised order pursuant to CIC Section 1765.1 issued by the Department of Insurance on April 22, 1993.

James S. Pugh
Assistant Manager

JSP/imb

Enclosure

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24th FLOOR
SAN FRANCISCO, CA 94105

JOHN GARAMENDI, Insurance Commissioner

April 22, 1993

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

Subject: FINANCIAL SERVICES INSURANCE LIMITED (Bermuda)

REVISED

Order Pursuant to California Insurance Code Section 1765.1

Dear Gentle People:

Attached please find a copy of the Department's REVISED Order to this company and its representatives, which deletes the name of the Howard-James Company. This Order should now replace the former Order in your files.

I understand that you will be notifying all members of this change by bulletin. Thank you.

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

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24th Floor
SAN FRANCISCO, CA 941 05

JOHN GARAMENDI, Insurance Commissioner

April 22, 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

(courtesy copy)

Great Republic Insurance Agency, Inc. 1335 Hotel Circle South
Suite 306
San Diego, CA 92108

SUBJECT: Financial Services Insurance Limited (Bermuda)
REVISED ORDER PURSUANT TO CIC Sec. 1765.1

Dear Gentle People:

PLEASE TAKE NOTE that this order amends and supersedes the previous Order Pursuant to CIC Sec. 1765.1, dated April 14, 1993. Please take further note that this instant order is identical in all ways to the previous order, with the following change: Unlike the previous order, this Revised order deletes the following addressee: Howard-James Company (Sherman Oaks, Cal.) The reason for this deletion is that the Department has received information that this broker had placed NO policies at any time with the subject company.

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 S 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 Financing Services Corn, 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.

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 in 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 TAKE NOTE AS FOLLOWS:

FINANCIAL SERVICES INSURANCE LIMITED (Bermuda) is unacceptable for placement of further new or renewal business pursuant to CIC S 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

- charges of insurance fraud;
2. FSIL's impaired reputation and integrity due to the seizure of the assets of its related corporation IFS for money laundering schemes; and
 3. FSIL's inadequate financial stability due to its failure to authenticate and verify its major reported assets.

PLEASE TAKE FURTHER NOTE THAT you may make a written request for a hearing within thirty (30) days of your receipt of his 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
Howard-James Company