

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF INSURANCE
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903**

NOTICE OF REVOCATION

On December 20, 2006 the Director of the Department of Business Regulation issued a Decision revoking the insurance licenses of the following foreign insurance companies previously licensed to do business in the State of Rhode Island.

**SHELBY CASUALTY INSURANCE COMPANY
VESTA FIRE INSURANCE COMPANY
THE SHELBY INSURANCE COMPANY**

These companies are no longer licensed in this state and may not issue insurance covering Rhode Island risks. A copy of the Decision revoking said licenses is attached to this notice.

Please call Matt DiMaio at the Department of Business Regulation, Division of Insurance at (401) 222 5454 with any questions or concerns relating to this notice.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903

_____))
IN THE MATTER OF:)

Shelby Casualty Insurance Company;)
Vesta Fire Insurance Company and)
The Shelby Insurance Company)

Respondents.)
_____)

DBR No. 06-I-0215

Hearing Officer: Elizabeth Kelleher Dwyer

Hearing Held: December 20, 2006

I. INTRODUCTION

The above-entitled matter came before the Department of Business Regulation ("Department") as the result of an Order to Show Cause as to why the Director of the Department should not issue an order revoking Shelby Casualty Insurance Company, Vesta Fire Insurance Company and The Shelby Insurance Company ("Respondents") licenses pursuant to R.I.G.L. § 27-2-24 and 27-2-25. ("Respondent") The Order to Show Cause was filed on December 6, 2006 and served upon Respondents by first class mail and certified mail return receipt.

The Order to Show Cause alleged that Respondents are foreign insurance companies domiciled in the State of Texas and licensed in the state of Rhode Island pursuant to R.I.G.L. § 27-2-1 *et seq.* On August 1, 2006 the District Court of Travis County Texas issued an order placing Respondents into liquidation. The Department alleged that pursuant to R.I.G.L. § 27-2-24 this order of liquidation is a basis for

revocation of the licenses. The notice indicated that the Department intended that the revocation would be effective immediately should Respondents fail to show cause why the licenses should not be revoked.

The Order to Show Cause set forth the above allegations and appointed the undersigned as Hearing Officer. The Order to Show Cause scheduled a hearing for December 20, 2006.

Respondent failed to appear at the date and time scheduled for the hearing.

II. JURISDICTION

The Department has jurisdiction over this matter pursuant R.I.G.L. §§ 27-2-24 and 25, 42-14-1 *et seq.*, and 42-35-1 *et seq.*

III. ISSUES

Should Respondents licenses to conduct the business of insurance in the State of Rhode Island be revoked?

IV. DISCUSSION

As indicated above, Respondents did not appear at the hearing. Further, the Department did not receive any communication from Respondents liquidator that it objected to revocation of the licenses.

The Department is in possession of a copy of the August 1, 2006 Order of the District Court of Travis County Texas placing Respondents into liquidation. R.I.G.L. § 27-2-24 provides:

Whenever it appears to the insurance commissioner from the statements, or from an examination of the affairs, of any life, fire, marine, fire and marine, casualty, or other insurance company not incorporated under the authority of this state, that the company is insolvent, or is in an unsound financial condition, or that its business policies are unsound or improper,

or that its condition or management is such as to render its further transaction of business hazardous to the public or its policyholders, or that the amount of its funds, net cash, or contingent assets is deficient, or that its capital is impaired, or that it is conducting its business fraudulently or refuses or neglects to comply with the laws of the state relating to insurance companies, it shall be the duty of the insurance commissioner, after notice and hearing, to revoke the license issued to the company and the licenses issued to all of its insurance producers, or the commissioner may revoke those licenses or suspend them for a period not exceeding their unexpired terms.

R.I.G.L. § 27-2-25 provides:

The insurance commissioner shall give written notice to the company specifying the date on which any revocation or suspension shall be effective, the term of any suspension, and the ground for the revocation or suspension; provided, that if the ground for revocation or suspension is that the company has violated any provision of law or has failed to comply with its charter, the effective date of the revocation or suspension shall be not less than ten (10) days from the date of issue of the notice, and the particulars of the violation or failure to comply with its charter shall be specified in the notice. The notice shall be served by registered or certified mail, sent postage prepaid, and addressed to the company at its last home office address, or in the case of a company of a foreign country, sent to its resident manager in the United States or at his last address appearing on the records of the insurance commissioner. An affidavit of the insurance commissioner in any form as the commissioner may prescribe, or of anyone authorized by him or her to give notice, appended to a copy of the notice, that the notice has been mailed as provided in this section shall be prima facie evidence that the notice has been duly given. The insurance commissioner shall also cause notice of the revocation or suspension to be published in any manner, as the commissioner may deem necessary for the protection of the public.

The Declaration of the Travis County District Court is sufficient evidence of insolvency to satisfy the criteria of R.I.G.L. § 27-2-24. The Department provided the notice required by R.I.G.L. § 27-2-25 in that the Order to Show Cause was sent to Respondent by certified and regular mail on December 6, 2006 and the hearing was held fourteen days later on December 20, 2006.

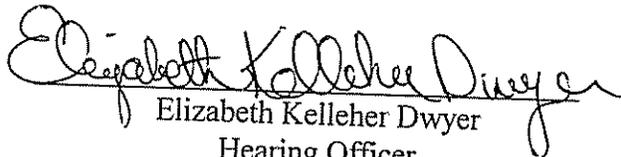
In addition, Respondents failed to appear at the prehearing conference which would be sufficient basis for revocation of the licenses pursuant to Department's Rules of Practice and Procedure in Administrative Hearings.

V. RECOMMENDATION

Based on the above analysis, the Hearing Officer recommends that

1. Respondents licenses as foreign insurance companies be revoked effective immediately.
2. That notice of this revocation be published on the Department's website.

Dated: December 20, 2006

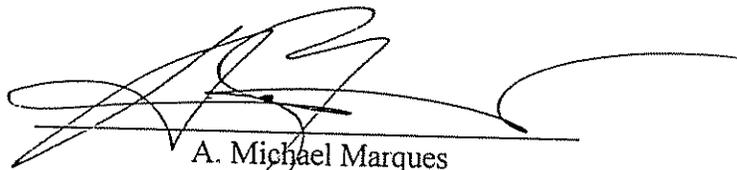

Elizabeth Kelleher Dwyer
Hearing Officer

I have read the Hearing Officer's Decision and Recommendation in this matter, and I hereby

ADOPT
 REJECT
 MODIFY

the Decision and Recommendation.

Dated: December 20, 2006



A. Michael Marques
Director

NOTICE OF APPELLATE RIGHTS

THIS DECISION CONSTITUTES A FINAL ORDER OF THE DEPARTMENT OF BUSINESS REGULATION PURSUANT TO R.I.G.L. § 42-35-12. PURSUANT TO R.I.G.L. § 42-35-15, THIS ORDER MAY BE APPEALED TO THE SUPERIOR COURT SITTING IN AND FOR THE COUNTY OF PROVIDENCE WITHIN THIRTY (30) DAYS OF THE MAILING DATE OF THIS DECISION. SUCH APPEAL, IF TAKEN, MUST BE COMPLETED BY FILING A PETITION FOR REVIEW IN SUPERIOR COURT. THE FILING OF THE COMPLAINT DOES NOT ITSELF STAY ENFORCEMENT OF THIS ORDER. THE AGENCY MAY GRANT, OR THE REVIEWING COURT MAY ORDER, A STAY UPON THE APPROPRIATE TERMS.

CERTIFICATION

I hereby certify on this 20th day of December, 2006 that a copy of the within Decision and Notice of Appellate Rights was sent by certified mail return receipt and first class mail, postage prepaid to

Mr. Craig A. Koenig
Special Deputy Receiver
Prime TEMPUS, Inc.
27310 Ranch Road 12
Dripping Springs, TX 78620

Hon. Michael Geeslin
Texas Department of Insurance
333 Guadalupe
Austin, TX 78701

and by hand delivery to

Elizabeth Kelleher Dwyer
Matthew DiMaio
Department of Business Regulation
233 Richmond Street
Providence, Rhode Island 02903.

Randy K. Rice