

# INSURANCE

**Pete Ricketts**

*Governor*

**Bruce R. Range**

*Director*

***A Message from the Director....***



Bruce R. Range

***Cybersecurity Should be Given Thorough Consideration***

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During 2014, several well-publicized large scale computer hacks highlighted the severity and the importance of cybersecurity. Experts indicate organized criminal activity may be targeting the United States' health care industry and stolen health care data may be more valuable than stolen credit card information. Whether it is protecting customer information, financial data, proprietary corporate information, employee data, or preventing operational disruption, insurers and agents have the daunting task of establishing safe and tamper-proof systems and protocols.

Security problems can stem from either external or internal sources as we have witnessed from various news accounts and only complicates the job of addressing cybersecurity. Important considerations for small- to medium-sized businesses are likely the cost of consulting and outside expertise. Another factor complicating this issue is that traditional general liability policies may provide little, if any, protection for liability arising from a security breach. Specialized liability coverage may be needed.

Officers and the leadership of the National Association of Insurance Commissioners (NAIC) have identified cybersecurity in the insurance sector as a key initiative for 2015. I will be serving as a member on the newly-created NAIC Cybersecurity (EX) Task Force that will monitor emerging cyber risks, their impact on the industry and whether regulatory action will be required.

No matter the size of your organization, I hope cybersecurity will be given thorough consideration when making fraud prevention and corporate risk management decisions.

## FRAUD DIVISION

### **2014 Insurance Fraud Statistics**

The Insurance Fraud Prevention Division (IFPD) received 686 case referrals regarding potential violations of the Nebraska Insurance Fraud Act during 2014. Of the referrals received, 434 (63%) were submitted through the National Insurance Crime Bureau and 36 (5%) were submitted via the National Association of Insurance Commissioners' online fraud reporting system. The remainder were submitted by victims, concerned consumers, or law enforcement agencies. **Actual** or **potential** monetary losses, exceeding **\$6.2 million**, were reported.

Cases are evaluated based upon a number of criteria, including the statute of limitations, applicability of Nebraska statutes, and solvability factors. Upon completion of the case review, a status letter is sent advising the complainant of disposition. During 2014, the IFPD investigated the following types of insurance fraud cases:

- Property/Casualty = 509 cases (74%)
- Life/Health = 33 cases (5%)
- Agent or Internal Fraud = 140 cases (20%)
- Other Fraud = 4 cases (1%)

Upon completion of a case investigation, the IFPD makes a determination to close the case for one of the following reasons: unfounded allegations, insufficient evidence for prosecution, or sufficient evidence to forward the information to a prosecutor for consideration in filing a criminal violation of the Nebraska Insurance Fraud Act. Before sending a case for a prosecutor's review, the IFPD prepares an investigative summary report outlining the circumstances of the investigation.

**2014 Cases Sent for Criminal Prosecution:** 67 Cases / 29 Suspects

**2014 Convictions:** 64 Cases / 29 Suspects

**2014 Restitution:** 19 Cases / \$82,272.39

Cases referred to the IFPD for investigation had venue in 53 Nebraska counties, with Douglas, Lancaster and Sarpy Counties accounting for 385 cases (56%).

### **VINCheck**

VINCheck is a free service provided by the National Insurance Crime Bureau (NICB) to the public to assist in determining if a vehicle has been reported as stolen and not recovered, or as salvaged by an NICB member. A vehicle identification number (VIN) is required to perform a search and a maximum of five VINCheck searches per IP address can be conducted within a 24-hour period at [www.nicb.org/theft\\_and\\_fraud\\_awareness/vincheck/vincheck](http://www.nicb.org/theft_and_fraud_awareness/vincheck/vincheck).

## **Court Actions**

### **United States District Court - District of Nebraska, 4:14-CR-3117**

#### **United States of America v. Gerald C. Bryce**

Gerald C. Bryce was charged with two criminal counts surrounding an investigation that Mr. Bryce diverted money from clients in his capacity as an insurance agent. Mr. Bryce pled guilty to both counts whereas he was accused of diverting approximately \$299,167 from clients as a result of making false representations. Judge John M. Gerrard will sentence Mr. Bryce on February 13, 2015, in Lincoln, Nebraska.

### **United States District Court - District of Nebraska, 4:14CR-3128**

#### **United States of America v. Melissa Prentice-Erickson**

Melissa Prentice-Erickson, a licensed mental health practitioner, was indicted by a grand jury in an alleged scheme to defraud a health care benefit program. The indictment states Ms. Prentice-Erickson submitted 2,614 claims for services not provided totaling \$269,035. This case is pending.

### **Custer County Court, CR 14-62**

#### **State v. Melissa A. Larson**

Melissa Larson, a licensed insurance agent, was charged with five felony counts of theft by unlawful taking. After paying restitution, four felony counts were dismissed and Ms. Larson pled no contest to an amended charge, a Class I misdemeanor. Ms. Larson was fined, ordered to pay court costs, and agreed to surrender her insurance license.

### **Douglas County District Court, CR13-239**

#### **State v. Mohamm A. Aljaddou**

Mohammad A. Aljaddou had prior damage to his 2000 Ford Taurus when he submitted a claim to his insurance company reporting the damage resulted from a hit-and-run accident. The claims adjuster found the damages were the result of a previous accident and the claim was denied. The insurance company forwarded a referral to the Insurance Fraud Prevention Division. Upon checking the vehicle's claim history it was found that shortly after submitting the above-mentioned claim Mr. Aljaddou reported a hit-and-run to his new carrier, again claiming the existing damage as new damage. Mr. Aljaddou received a \$1,522.82 claim settlement pursuant to this claim. As a result of the Insurance Fraud Prevention Division's investigation, Mr. Aljaddou was charged with two felony counts of insurance fraud. Mr. Aljaddou pled no contest and on January 12, 2015, Mr. Aljaddou was sentenced to 20-36 months' jail for count one and 20 - 48 months jail for count two.

### **Douglas County District Court, CR 13-3337**

#### **State v. Richard L. Thomas**

Richard Thomas was accepted into a diversion program as a result of being charged with one count of insurance fraud. Mr. Thomas was ordered to pay \$5,155.65 in restitution to the insurance company and other stipulations outlined in the diversion program agreement.

### **Lancaster County District Court, CR13-46**

#### **State v. Carl R. Taylor**

Carl R. Taylor pled guilty to a Class III felony count of theft by deception. Mr. Taylor received 24 months of supervised probation and ordered to make restitution.

## ***Court Actions (cont.)***

### **Douglas County District Court, CR14-394**

#### **State v. Patricia M. Aulabaugh**

Patricia Aulabaugh was charged with a Class IV felony count of insurance fraud for manufacturing counterfeit certificates of insurance. Ms. Aulabaugh's activities were discovered during a traffic stop. Omaha police officers questioned the driver's certificate of insurance and contacted the Insurance Fraud Prevention Division. The certificate proved to be fraudulent. During the investigation it was discovered the certificate was purchased from Ms. Aulabaugh for \$100. Ms. Aulabaugh pled guilty to an amended charge, a Class I misdemeanor. Ms. Aulabaugh incurred the investigation and prosecution costs and was sentenced to two days in the Douglas County Correctional Center.

### **Douglas County District Court, CR14-2318**

#### **State v. Joe L. McManis, Jr.**

Joe McManis, Jr. was charged with one felony count of insurance fraud after alleging he was a passenger in a vehicle driven by his father making him eligible for a bodily injury claim settlement. Investigation revealed Mr. McManis was the vehicle operator at the time of the accident, making him ineligible for any injury benefit pursuant to the policy. Mr. McManis pled guilty to an amended insurance fraud charge, a Class I misdemeanor, resulting in a fine, court costs, and insurance company reimbursement.

### **Douglas County District Court, CR14-2585 and CR14-2587**

#### **State v. Deborah A. Marion**

#### **State v. Tamekia D. Marion**

Mother and daughter, Deborah and Tamekia Marion, were charged with submitting an inflated invoice to their insurance company for a property claim submitted pursuant to their renter's policy. Both were charged with felony counts of insurance fraud that were amended to Class I misdemeanors. Deborah Marion was sentenced to three days' jail and fined \$250. Tamekia Marion was sentenced to two days' jail and fined \$250.

### **Kimball County Court, CR14-199**

#### **State v. Kelli Lu Spires-Mannon**

Kelli Lu Spires-Mannon was accused of binding auto insurance after a collision in an attempt to show coverage was in place prior to the loss. Ms. Spires-Mannon was found guilty of an amended count of a fraudulent insurance act and ordered to pay a \$250 fine, court costs, and \$1,000 in restitution.

### **Lancaster County District Court, CR13-1391**

#### **State v. Zachariah E. Lyons**

District Court Judge John Colborn sent a clear message when sentencing Zachariah Lyons for a felony theft by deception charge relating to his employment as a financial processor for a third-party administrator in Lincoln, Nebraska. Mr. Lyons used his position to change beneficiary information on mature life insurance policies and then requested disbursements from the policies enabling him to divert benefits for his own use. Mr. Lyons was sentenced to 180 days in jail, five years' probation, and \$21,404.23 in restitution.

### **Lincoln County District Court, CR14-369**

#### **State v. Joshua R. Salisbury**

Joshua Salisbury reported his vehicle was stolen to the police and his insurance company and received a \$27,500 claim settlement. Mr. Salisbury was charged with insurance fraud after his vehicle was discovered in an irrigation canal. This case is pending.

## ***Court Actions (continued)***

### **Lancaster County Court, CR14-13667**

#### **State v. Joann M. Aerni**

Joann Aerni was charged with one felony count of insurance fraud for an auto property past-posting scheme. Ms. Aerni's uninsured 2010 Kia sustained nearly \$5,000 in damages before she purchased full coverage for the vehicle. Ms. Aerni waited a few days and then reported the damage to her insurance company. The insurer discovered the pre-existing damage prior to any claim payments. Ms. Aerni pled guilty to an amended charge, a Class I misdemeanor, and was fined \$1,000 plus court costs.

### **Lancaster County Court, CR14-17535**

#### **State v. Elon Aguiar**

Elon Aguiar was charged with one felony count of insurance fraud after falsely reporting to his insurance company that his 2011 Nissan rear-ended a 2010 Malibu. Investigation revealed the insured's 2002 Suzuki Grand Vitara was the vehicle involved in the collision and it was uninsured at the time of the accident. Mr. Aguiar entered into a pretrial diversion program and the charge will be dismissed upon successful completion.

### **Lincoln County District Court, CR13-217**

#### **State v. Donald L. Hagan, Jr.**

Donald Hagan, Jr. reported to the Anthony Texas Police Department that his motorhome, trailer, and motorcycle were stolen after he left them in a truck stop parking lot. Mr. Hagan's combined claims totaled \$245,718. Prior to any claim payment, information was received that led to the recovery of the vehicles from Mr. Hagan's acquaintances in Arizona. Mr. Hagan was initially charged with one felony count of insurance fraud. Mr. Hagan pled guilty to an amended charge, a Class I misdemeanor. Judge Richard Birch ordered Mr. Hagen to pay a \$1,000 fine and court costs.

### **Sarpy County Court, CR13-2241**

#### **State v. Christine R. Martinez-Cascio**

Christine R. Martinez-Cascio was originally charged with one felony count of insurance fraud. Ms. Martinez-Cascio was accused of purchasing an auto policy for her 1989 Ford Probe and then claiming damage as a result of a hit-and-run accident. The investigation revealed the vehicle damage was pre-existing. The charge was amended to a Class I misdemeanor and Ms. Martinez-Cascio was ordered to pay a fine and court costs.

### **Saunders County Court, CR14-555 and CR14-554**

#### **State v. Daniel D. Felthouser**

#### **State v. Kendra K. Felthouser**

Husband and wife, Daniel and Kendra Felthouser, were convicted of insurance fraud after submitting a fraudulent claim to their auto insurer. Mrs. Felthouser was involved in a car-deer accident only to learn their insurance did not cover damages. The Felthousers were accused of switching insurance companies, purchasing a full coverage policy after the accident, and submitting a claim for the pre-existing vehicle damage. Both were fined \$250 plus court costs and Mr. Felthouser was required to pay restitution for investigative costs.

## LIFE & HEALTH DIVISION

### **Interest Rate on Death Proceeds**

*The 2015 interest rate to be paid on death proceeds not paid within 30 days of receipt of proof of death is 2.041%.*

The 2015 interest rate to be paid on death proceeds not paid within 30 days of receipt of proof of death is 2.041%. Pursuant to Neb. Rev. Stat. § 44-3,143, interest shall accrue from the date of receipt of proof of death to the date of payment at the rate calculated pursuant to section 45-103 in effect on January 1 of the calendar year in which occurs the date of receipt of proof of death.

The court sets the rate, and the court may change the rate during the year, but the rate in effect on January 1 applies to death claims. The website of the court can be found at [www.supremecourt.ne.gov/5017/judgment-interest-rate](http://www.supremecourt.ne.gov/5017/judgment-interest-rate).

### **Affordable Care Act Filing Information**

*All companies/carriers/issuers that are strongly considering ACA participation, whether it be submitting plan binders "on-exchange" or submitting plan filings "off-exchange", may be interested in the bulleted listing staff has compiled.*

For all companies/carriers/issuers that are strongly considering Affordable Care Act (ACA) participation, whether it be submitting plan binders "on-exchange" or submitting plan filings "off-exchange", the following comments will be of interest as plans are being developed:

- As of now, no firm date has been set for submitting ACA binders and/or plans to the Department of Insurance (DOI); the tentative date is 4/1/2015...stay tuned! In addition, as of now, both "on-exchange" **and** "off-exchange" filings will be required no later than 4/1/2015.
- No binders will be accepted until companies/carriers/issuers have "run" the Data Integrity Tool (DIT) on all plans and have signed a certification to that effect.
- No binders will be accepted without the NE Review Checklist being completed, e.g. major medical and stand-alone dental.
- The NE Review Checklist has been updated for major medical and a new NE Review Checklist for stand-alone dental, are on SERFF and the DOI website.
- The tentative date for the Nebraska Department of Insurance to recommend plan certification is 7/24/2015.
- Tentatively, open enrollment will begin on 10/1/2015.

*The dates in the bullet points are tentative, and in light of the extremely tight "windows", please continue to monitor the Department's website for updates.*

As noted, these dates are tentative, and in light of the extremely tight "windows", please continue to monitor the Department's website at [www.doi.nebraska.gov](http://www.doi.nebraska.gov) for updates. Questions may be directed to Stephen King at [stephen.e.king@nebraska.gov](mailto:stephen.e.king@nebraska.gov).

## LEGAL DIVISION

### ***Interpretation of “Covered Service” in New Laws About Dental Plans***

*Recently enacted statutes prevent prepaid dental service plans, insurance policies, self-funded employee benefit plans, and prepaid limited health organization plans from dictating the price of dental services that they do not cover.*

*Sections 44-3805 and 44-7,105 do not provide a definition of the term “covered service.”*

*Insurance and dental professionals implementing § 44-3805 and § 44-7,105 have discovered that “covered service” is subject to two interpretations.*

Recently enacted Neb. Rev. Stat. § 44-3805(3) (2010) and § 44-7,105 (2012) prevent prepaid dental service plans, insurance policies, self-funded employee benefit plans, and prepaid limited health organization plans from dictating the price of dental services that they do not cover. Sections 44-3805 and 44-7,105 do not provide a definition of the term “covered service.” Insurance and dental professionals implementing § 44-3805 and § 44-7,105 have discovered that “covered service” is subject to two interpretations.

1. “Covered service” could be defined as any service for which the insurer or plan actually covered (paid) part of the dental provider’s bill, with “noncovered service” defined as any service for which the insurer pays no money to the dental provider.

2. “Covered service” could also be defined as any service covered in the contract, with “noncovered service” defined as any service for which the contract does not provide payment under any circumstances.

For example: Jane’s dental policy provides maximum benefits of \$1,000 per year. Jane already received the \$1,000 in benefits this year, so she will pay out-of-pocket for any additional dental services. Jane goes to her dentist to have a tooth repaired. Fillings are covered under Jane’s policy, but because Jane has exceeded her annual maximum, she will pay the entire bill.

Under definition (1), the filling is not “covered” because the insurer is not paying the bill, so Jane’s insurer cannot dictate the fee Jane’s dentist charges for the filling.

Under definition (2), the filling is “covered” because the insurance policy pays for fillings when the patient has not exceeded annual benefit limits, so Jane’s insurer can require the dentist to charge only the contracted rate for the filling.

*The Department will continue to interpret § 44-3805(3) and § 44-7,105 to allow either definition of “covered services” until a definition is supplied by the Legislature or the courts.*

The Department allows dental plans to use either definition of “covered service” in provider contracts. This approach is based on testimony describing “covered services” in the legislative history for LB813 (codified at § 44-3805(3)) and LB810 (codified at § 44-7,105).

The Department will continue to interpret § 44-3805(3) and § 44-7,105 to allow either definition of “covered services” until a definition is supplied by the Legislature or the courts.

Questions may be directed to Laura Arp at (402) 471-4635.

### **Medical Malpractice Surcharge Set for 2015**

A hearing was held before the Director of Insurance on November 10, 2014, as required by Neb. Rev. Stat. § 44-2830, to consider adjusting the amount of surcharge for 2015.

*The Director set the surcharge for the year 2015, effective January 1, 2015, at twenty percent (20%) for all health care providers.*

On the basis of the public hearing giving due regard to the size of the existing Excess Liability Fund (Fund), the number and size of potential claims against the Fund, the number of participating providers, change in the cost of living, and sound actuarial principles, the Director set the surcharge for the year 2015, effective January 1, 2015, at twenty percent (20%) for all health care providers.

### **CoOpportunity Health Information**

*The Department’s website has posted details, general information, and FAQs regarding CoOpportunity Health.*

The Iowa Insurance Commissioner, Nick Gerhart, as the court appointed rehabilitator for CoOpportunity Health, has determined that rehabilitation of CoOpportunity Health is not possible and has asked the court for an order of liquidation. There is no expectation for additional cash inflow until the second half of 2015 and medical claims currently exceed cash on hand. This action is being taken to protect Nebraskans and Iowans to ensure that their medical providers and claims are paid by the state Guaranty Associations in Nebraska and Iowa.

The Department’s website at [www.doi.nebraska.gov](http://www.doi.nebraska.gov) has posted additional details, general Information, and FAQs regarding CoOpportunity Health.



## **Case Summaries**

### **Speece v. Allied Professionals Ins. Co., 289 Neb. 75 (2014)**

Dr. Speece purchased professional liability insurance from Allied Professionals Insurance Company, a Risk Retention Group, Inc. (“APIC”). APIC is an Arizona incorporated risk retention group registered in Nebraska. The APIC policy included a provision requiring binding arbitration in California of any policy dispute. After being denied coverage under the policy, Speece filed an action in the district court and sought a declaration that APIC was obligated to provide coverage because the policy’s arbitration clause is unenforceable under Neb. Rev. Stat. § 25-2602.01(f)(4), which prohibits enforcement of any arbitration clause in an insurance contract. APIC filed a motion to compel arbitration and argued that the federal law preempts the Nebraska statute.

The trial court found the arbitration clause unenforceable under Nebraska law and APIC appealed. On appeal, the Nebraska Supreme Court decided that Neb. Rev. Stat. § 25-2602.01(f)(4) is preempted by the federal Liability Risk Retention Act (LRRRA) and therefore, the arbitration clause is enforceable. LRRRA authorizes persons or businesses with related commercial liability exposure to form risk retention groups for the purpose of self insuring. LRRRA, at 15 U.S.C. § 3902, provides that a risk retention group is exempt from any State law, rule, regulation, or order “to the extent that such law, rule, regulation, or order would . . . (1) make unlawful, or regulate, directly or indirectly, the operation of a risk retention group[.]”

The Court found that LRRRA’s overarching purpose is to permit risk retention groups to efficiently operate on a nationwide basis by providing that they are regulated by their domiciliary states with only limited variations in regulation in the other states in which they operate. The Court decided that application of Nebraska’s anti-arbitration statute “would make it difficult for a foreign risk retention group whose domiciliary state allowed arbitration clauses in insurance policies to maintain uniform underwriting, administration, claims handling, and dispute resolution processes nationwide, and it therefore would thwart the efficient interstate operation of risk retention groups.” While LRRRA allows states to impose certain requirements on foreign risk retention groups, the Court found that LRRRA does not allow Nebraska to impose its prohibition on arbitration clauses in insurance contracts on foreign risk retention groups.

### **State Farm Fire & Cas. Co. v. Dantzler, 289 Neb. 1, 852 N.W.2d 918 (2014)**

State Farm brought this declaratory judgment action against insured landlord Dantzler and his tenants David Chuol and Chuol Geit, father and son. At issue was whether Dantzler’s rental dwelling policy excluded coverage for exposure to lead-based paint, based on the policy’s pollution exclusion. Specifically, the issue resolved by the Nebraska Supreme Court was whether, as a matter of law, the words “discharge, dispersal, spill, release or escape” in a pollution exclusion encompass the separation of lead-based paint that is inherent in every case of lead paint poisoning.

State and federal courts have taken two general approaches to the application of pollution exclusions in lead paint cases. Some courts have determined that the pollution exclusion excludes coverage for injury due to environmental or industrial pollution, but does not exclude

coverage for injury caused by exposure to lead paint. This more narrow reading is based on an argument that the words “discharge, dispersal, spill, release or escape” in the pollution exclusion refer to environmental or industrial events. The other approach courts have taken is to exclude coverage for all injuries caused by pollutants. This broader reading, which has been adopted in Nebraska, is based on the plain and ordinary meaning of the policy language.

The Nebraska Supreme Court determined that regardless of how lead-based paint is separated from the painted surface or what form lead-based paint takes when separated, an individual’s exposure to and absorption of that lead-based paint results from the “discharge, dispersal, spill, release or escape” of a pollutant and is therefore within the pollution exclusion.

**Van Kleek v. Farmers Insurance Exchange, 289 Neb. 730 (2014)**

Van Kleek sustained injuries to her lower lip from a dog bite. The dog’s owners, Walter and Janet Chapman, asked Van Kleek to dog sit while they were on vacation for ten days. Van Kleek agreed and stayed at the Chapman home. She was required to feed, water, and let the dog into the back yard and was the only person to be at the home. One afternoon when letting the dog back into the residence, the dog bit her on the lip. Van Kleek filed a claim on the Chapmans’ homeowner’s insurance policy. Farmers Insurance Exchange (Farmers), the Chapmans’ insurer, denied the claim pursuant to a provision in the policy that excluded coverage for liability injuries to those individuals insured under the policy. Farmers argued that because Van Kleek was legally responsible for the ongoing care and protection of the dog while the Chapmans were away, the exclusion applied. The lower court granted summary judgment in favor of Farmers and Van Kleek appealed.

On appeal, Van Kleek argued that she could only be held legally responsible for the dog if the dog was exposed to third parties. Farmers argued that she was legally responsible for the dog as she was the one responsible for every facet of the dog’s care while the homeowners were away. The Court determined that the lower court did not err in granting summary judgment to Farmers. The court held that a person that has possession and control over a dog, is responsible for the dog and owes a duty of care to prevent risks posed by the dog. Here, the court reasoned that because Van Kleek was responsible for feeding, watering, letting the dog outside, retrieving the dog if it got loose, and potentially taking the dog to the vet, Van Kleek was in control of the dog, and thus; legally responsible for it. As such, she was not permitted to recover pursuant to the policy.

**Shaffer v. Nebraska Department of Health and Human Services, 289 Neb. 740 (2014)**

Shaffer is an adult male with autism that lived with his mother, Delores, a licensed practical nurse. Delores was paid to provide 18 hours of private duty nursing care to her son through a Medicaid provider. Coventry Health Care of Nebraska, Inc. (Coventry) contracted with the Department of Health and Human Services as a managed care organization to provide Medicaid Services. In 2012, Coventry denied Delores’s request to continue providing nursing services to her son because they deemed it was not medically necessary. She filed an appeal and requested a fair hearing pursuant to provisions in the Nebraska Administrative Code. Coventry fully participated in the hearing by offering testimony and reviewing exhibits. After being unsuccessful, Delores

appealed to the district court and named the Department of Health and Human Services and the Director of the Medicaid Division but did not name Coventry. The district court determined the services were medically necessary and reversed the Department of Health and Human Services' decision. Coventry appealed and argued that the district court did not have jurisdiction to reverse the decision because Coventry was a necessary party.

The appellate court agreed with Coventry and reversed and vacated the order of the district court. Pursuant to the Administrative Procedure Act, an "aggrieved party" may appeal the order of an administrative agency. As that term is not defined in the Administrative Procedure Act, the court reviewed the issue to determine if Coventry had standing to appeal. The court reasoned that Coventry did have standing to appeal even though Coventry was not a named party because Coventry had a financial interest in the outcome of the matter and participated in the administrative hearing. The court also determined that Coventry was a necessary party as Coventry fully participated in the administrative hearing and was treated as a party by the hearing officer. As Coventry was a necessary party and not joined in the appeal, the district court did not have jurisdiction.

### **Actions Taken Against Producers**

<b>CAUSE NO.</b>	<b>ALLEGATION</b>	<b>DISPOSITION</b>
A-2006 <b>Scott Robert Prill</b> Holdrege, NE  NPN - 239843	Violated <u>Neb. Rev. Stat.</u> §§ 44-317, 44-4059 (1)(b), 44-4059(1)(h). No insurance producer shall obtain a loan from an insurance client; violated any insurance law; used fraudulent, coercive, or dishonest practices.	Consent Order Producer license revoked 12/8/2014
A-2007 <b>Matthew Spawn</b> Columbus, NE  NPN - 8424221	Violated <u>Neb. Rev. Stat.</u> §§ 44-4059(1)(b) and 44-5905(2)(b)(i)(A). Violated any insurance law; violated the record retention requirements.	Consent Order Producer license revoked 12/3/2014
A-2008 <b>John R. Baltes</b> Troy, OH  NPN - 1751112	Violated <u>Neb. Rev. Stat.</u> §§ 44-4065(1) and 44-4059(1)(h). Failed to report to the director any administrative action taken of the producer in another jurisdiction; used fraudulent, coercive, or dishonest practices.	Consent Order Producer license revoked 12/1/2014
A-2010 <b>Melissa Larson</b> Ansley, NE  NPN - 8551910	Violated <u>Neb. Rev. Stat.</u> §§ 44-4059(1)(b), 44-4059(1)(f), 44-4059(1)(h) and 44-4065 (3). Violated any insurance law; has been convicted of a felony or Class I, II, or III misdemeanor; used fraudulent, coercive, or dishonest practices; failed to report to the director any criminal prosecution of the producer taken in any jurisdiction.	Consent Order Producer license revoked 1/12/15

## **Actions Taken Against Companies**

<b>CAUSE NO.</b>	<b>ALLEGATION</b>	<b>DISPOSITION</b>
C-2106 <b>The Prudential Insurance Company of America</b> (New Jersey)	Violated <u>Neb. Rev. Stat.</u> § 44-1539(1) and 210 Neb. Admin. Code § 61-006.03. Committed an unfair claims settlement practice; failed to provide claim forms, instructions and reasonable assistance to the insured.	Order \$1,000 admin. fine 11/5/2014
C-2125 <b>CoOpportunity Health</b> (Iowa)	Company determined to be in hazardous financial condition after domicile state issued an Order for Rehabilitation.	Order Certificate of Authority suspended 12/24/2014

## **Regulation Updates**

### **Amended Regulation**

#### **TITLE 210 NEB. ADMIN. R. & REGS. 42 - RULE FOR RECOGNIZING MORTALITY TABLES FOR USE IN DETERMINING RESERVE LIABILITIES FOR ANNUITIES**

Amended Chapter 42 implements changes made to the National Association of Insurance Commissioners model regulation on which Chapter 42 is based. The amendments affect all domestic insurers issuing individual or group annuity or pure endowment contracts. Specifically, the amendments will require insurers to utilize, with certain exceptions, the 2012 Individual Annuity Reserving Table for individual annuity or pure endowment contracts issued on or after January 1, 2015. Amended Chapter 42 can be obtained from the Department's website at [www.sos.ne.gov/rules-and-regs/regsearch/Rules/Insurance\\_Dept\\_of/Title-210/Chapter-42.pdf](http://www.sos.ne.gov/rules-and-regs/regsearch/Rules/Insurance_Dept_of/Title-210/Chapter-42.pdf).

### **Company Bulletin**

#### **CB-133 (Revised) - ALTERNATIVE FILING REQUIREMENTS FOR LONG-TERM CARE PREMIUM RATE INCREASES**

CB-133 was issued on December 9, 2014, and revised on January 28, 2015, to include language omitted regarding the Application of New Loss Ratio Standards, now found on the last page of the bulletin. The bulletin, which became effective immediately, outlines the guidelines to be used in the review of pre-rate-stability and post-rate-stability premium rate adjustment filings for long-term care insurance policies. The intent of the bulletin is to address rate increases for long-term care insurance policies currently in force, in particular pre-rate-stability policies. CB-133 (Revised) can be found at [www.doi.nebraska.gov/bulletin/CB133.pdf](http://www.doi.nebraska.gov/bulletin/CB133.pdf).

## PRODUCER LICENSING DIVISION

### **Agency License Renewal Process**

Agency licenses will expire on April 30, 2015.

All agency renewals are available online at **www.nipr.com**.

Agencies may also be renewed by returning the following to the Department **no later than March 15, 2015**:

- A check in the amount of the license fee (refer to the renewal form for the amount due).
- A completed renewal form.

### **Adding/Deleting a Designated Producer For An Agency**

Adding or deleting a name from the license may be done while renewing online or by submitting Amendment Form 9002A with the renewal form. The person added must hold a Nebraska producer license.

### **Change of Address**

If the agency address has changed, the address may be updated at renewal. However, for each licensed producer associated with the agency, an address change must be submitted to change the individual's business address.

Questions regarding the renewal process may be directed to the Producer Licensing Division at 402-471-4913 or via email to **doi.licensing@nebraska.gov**.

### **Continuing Education Transcripts Reminder**

Producers may track completed continuing education courses at **www.statebasedsystems.com** by clicking on "Print Your Education Transcript".

Education providers are required to upload all approved continuing education courses online within 10 days from the course date.

*Agency licenses will expire on April 30, 2015; renewals are available online at [www.nipr.com](http://www.nipr.com).*

*Adding or deleting a name from the license may be done while renewing online or by submitting Amendment Form 9002A with the renewal form.*

*For each licensed producer associated with the agency, an address change must be submitted to change the individual's business address.*

*Education providers are required to upload all approved continuing education courses online within 10 days from the course date.*

## EXAMINATION DIVISION

### **Staff Updates**

**Lindsay Crawford** has been promoted to Deputy Chief Examiner, effective February 9, 2015. Lindsay began with the Department as a financial analyst on August 18, 2008, and most recently served as the Department's Reinsurance Specialist. Lindsay will assume the duties previously held by Annie Elliott, who left the Department in December, 2014.

**David Clayton** joined the division on November 19, 2014, as Assistant Chief Examiner. Dave is responsible for overseeing the financial analysts of the division.

**Richard Ramos** will be joining the division on February 9, 2015, as Assistant Chief Examiner. Richard will be responsible for overseeing the financial examiners of the division.

### **Pre-Need Examination Completed During 4th Quarter, 2014**

Apfel Funeral Homes, Inc.  
Biglin's Mortuary, Inc.  
Bressler-Munderloh Funeral Home  
Brockhaus-Harlan Funeral Home, Inc.  
Butherus, Maser & Love Funeral Home  
Casey-Hall Funeral Chapel  
EMM's Courts, Inc. dba Shultz-Vogel-Johnson Mortuary  
Evergreen Memorial Park Cemetery  
Funeral Service, Inc. dba Newman Grove Memorial Funeral Home  
Hemmingsen Funeral Home, Inc.  
Home for Funerals, Inc.  
Layton Funeral Home, Inc.  
Ludvigsen Mortuary  
Pentico Funeral Homes, Inc.  
Solt Funeral Home  
Wenburg Funeral Home-Arapahoe, Inc.

### **Financial Examinations Completed During Fourth Quarter, 2014**

German Farmers Mutual of Hall County  
Magellan Complete Care of Nebraska, Inc.  
Scandinavian Mutual Insurance Co. of Axtell

Financial examination reports become public documents once they have been placed on official file by the Department. The most current report of financial examination can now be found on the Department's website at [www.doi.nebraska.gov](http://www.doi.nebraska.gov). Copies can be obtained from the Department at a cost of \$.50 per page

### ***Director Ramge Recipient of Excellence in Consumer Advocacy Award***

The National Association of Insurance Commissioners (NAIC) Consumer Representatives recognized Director Ramge for his work on behalf of insurance consumers at the NAIC Fall National Meeting in Washington, DC.

During the November, 2014 meeting, Director Ramge received the Excellence in Consumer Advocacy award. The Consumer Representatives cite their choice of Director Ramge for his low-key style that belies his active involvement in and leadership on a wide range of issues affecting consumers at the NAIC. It was noted that in 2014, as chair of the Market Conduct Examination Working Group, Director Ramge was instrumental in preparing market regulators for the transition from implementation to oversight of key Affordable Care Act provisions. Also in 2014, as chair of the Title Insurance Task Force, he led the Task Force through the most active period of NAIC engagement on title insurance issues in decades.

A press release issued by the NAIC Consumer Representatives states, “Director Ramge has been open and responsive to consumer concerns, ensuring balanced debate and informed decision-making by the NAIC. When the NAIC touts its transparency and concern about insurance consumers, it is a regulator like Director Ramge who proves these claims to be true.”

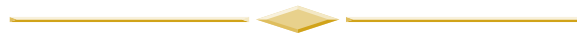
<b>2015 NAIC Committee Assignments for Nebraska</b>
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☆ Chair	Title Insurance (C) Task Force
☆ Vice-Chair	Midwest Zone
☆ Member	NAIC Executive Committee
☆ Member	International Insurance Relations (EX) Leadership Group
☆ Member	Cybersecurity (EX) Task Force
☆ Member	Principal-Based Reserving Implementation (EX) Task Force
☆ Member	Life Insurance and Annuities (A) Committee
☆ Member	Life Actuarial (A) Task Force
☆ Member	Health Actuarial (B) Task Force
☆ Member	Regulatory Framework (B) Task Force
☆ Member	Senior Issues (B) Task Force
☆ Member	Antifraud (D) Task Force
☆ Member	Accounting Practices and Procedures (E) Task Force
☆ Member	Financial Condition (E) Committee
☆ Member	Reinsurance (E) Task Force
☆ Member	Valuation of Securities (E) Task Force
☆ Member	Receivership and Insolvency (E) Task Force
☆ Member	NAIC/Industry Liaison Committee

State of Nebraska  
Department of Insurance  
941 O Street, Suite 400  
PO Box 82089  
Lincoln, Nebraska 68501-2089

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## Department Calendar

- Feb. 16: Department Closed – President’s Day
- April 24: Department Closed – Arbor Day
- May 25: Department Closed – Memorial Day