

INSURANCE

Dave Heineman
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A Message from the Director....

HIPAA and Other Health Benefits Laws—Compliance Assistance Seminar



Ann M. Frohman

The U.S. Department of Labor and the Nebraska Department of Insurance are teaming up to offer practical information, helpful tips, and clarification regarding Nebraska and federal health benefits laws. In addition to the Department and the U.S. Department of Labor, representatives from the Department of Health & Human Services and the Internal Revenue Service will join us.

If you are an employer trying to comply with federal and Nebraska state laws regarding your health plan, this is a great opportunity for you to talk to both federal and Nebraska state regulators at the same time, in the same place. If you are a third party administrator or a carrier who has questions about new laws and issues, this is your opportunity to ask the experts.

The seminar is free and open to the first 250 registrants. Registration is on a first come, first served basis. A copy of the registration form can be found on the Department's website at www.doi.ne.gov.

Seminar Date: September 14-15, 2010
Registration begins on September 14 at 8:00 a.m. The last session concludes at 4:15 on September 15. The full agenda is on the registration form at www.doi.ne.gov.

Seminar Location: The HIPAA & Other Health Benefits Laws: Compliance Assistance Seminar will be held at the Holiday Inn Omaha Convention Center, 3321 South 72nd Street, Omaha, Nebraska 68124.

FRAUD DIVISION

2010 Insurance Industry Conference Highlights

- **Vicki Adams** with the Nebraska Attorney General's office provided an overview of health care fraud within the state Medicaid system. The Nebraska Medicaid Fraud and Patient Abuse Unit, established in 2004 to help stop fraud and abuse within this program, has recovered over \$32 million in civil and criminal investigations.
- **Tom Walsh**, Vice-President of Training with the NICB, emphasized the need of overall support when implementing a fraud training program and stressed that to be successful, the program must be integrated with the overall strategy of the company.
- **Tim Lynch**, NICB Director of Government Affairs, addressed the attendees with information regarding legislative actions taking place across the country, including recent legislation making workers' compensation premium avoidance a felony in Nebraska.
- NICB Special Agent **Linda Baumann** is the special agent covering Nebraska, Iowa, and South Dakota, and is available 24/7 to assist insurance companies and law enforcement agencies.
- **Blake Cole**, Special Investigations Manager with Mutual of Omaha, stressed that it is estimated nearly \$186 million a day, every day, is lost to health care fraud resulting in a continual rise in private health insurance premiums and tax dollars used to support governmental programs.

Criminal Convictions

Douglas County District Court, 179839

State v. Nicolas Jesus-Ramon

The Douglas County Attorney's Office dismissed one Class III count of felony insurance fraud against Nicolas Jesus-Ramon and allowed him to participate in a diversion program.

Douglas County District Court, 180921

State v. Randy E. Williamsen

Randy E. Williamsen was found guilty of one count of arson and one count of false reporting. Judge J. Michael Coffey sentenced Mr. Williamsen to 18-months' probation along with associated costs. In addition, Mr. Williamsen will serve 90 days for each count in the Douglas County Correctional Center unless waived by the court.

Douglas County District Court, 182063

State v. Nitin Verma

Dr. Nitin Verma was arrested on a warrant and charged with one count of a fraudulent insurance act as the result of an investigation conducted by the Insurance Fraud Prevention Division. Dr. Verma subsequently pled no contest to the charge alleging that he filed a bogus automobile insurance claim to his insurance company. Dr. Verma entered a plea of no contest and was sentenced to one day in jail and must pay court costs and restitution to the Insurance Fraud Prevention Division for costs associated with their investigation.

Douglas County District Court, 182286

State v. Richard M. Topp and

Douglas County District Court, 182411

State v. James J. Dornacker

Employee Richard Topp was accused of making a false police report for his employer, Richard Dornacker, the owner of a local lawn service. Mr. Dornacker then submitted a claim for the loss to his insurer in an attempt to collect money for equipment that was not stolen. Mr. Topp was charged with making a false police report and one count of insurance fraud. Mr. Topp entered a pre-trial diversion program. The court ordered Mr. Topp to pay program fees, complete community service, and reimburse the Insurance Fraud Prevention Division for costs associated with the investigation. Mr. Dornacker was found guilty of insurance fraud. He was sentenced to two-years' probation, administrative probationary fees, court costs, ordered to pay \$4,290.17 in restitution to the insurance company, and must serve 90 days in jail unless waived by the court.

Douglas County District Court, 183310

State v. Sean C. Weber

Sean Weber was charged in Douglas County with one count of insurance fraud. He was accused of falsifying information in an attempt to file a bogus claim with his supplemental health care insurer. Mr. Weber entered pre-trial diversion and must pay associated costs and perform community service.

Hall County Court, CR09-3069

State v. Nancy A. Toledo

Nancy A. Toledo, also known as Nancy A. Poore and Nancy A. Ryan, a licensed insurance agent, was charged in Hall County with five counts of insurance fraud. Ms. Toledo was charged with diverting insurance premiums and issuing counterfeit insurance documentation. Ms. Toledo was ordered to pay restitution to the victims totaling \$963.78, court costs and associated fees, was placed on probation for a period of nine months, must complete 30 hours of community service, and serve 30 days in jail.

Lancaster County Court, CR09-21729

State v. Gary L. Kitt

Gary L. Kitt was charged with two felony counts of theft by unlawful taking after being accused of pocketing health insurance premiums from his employees. Mr. Kitt was found guilty of two amended theft charges. He was fined \$600 plus court costs and ordered to perform 60 hours of community service.

Lancaster County Court, CR10-2767

State v. Christopher P. Hallauer

Christopher P. Hallauer was found guilty of one count of insurance fraud after being accused of making a false statement pursuant to an insurance claim. On April 8, 2010, Judge Laurie Yardley fined Mr. Hallauer \$300 plus court costs for his actions.

Lancaster County Court, CR10-4238

State v. William R. Rankin

After being involved in an automobile accident, it was discovered that William Rankin had used an ex-roommate's identity to purchase automobile insurance for his personal vehicle. The policy, which had been in effect for several years, was rescinded upon discovery of the bogus insurance application information. Mr. Rankin was charged in Lancaster County Court with one count of insurance fraud and one count of no proof of motor vehicle insurance. Mr. Rankin was found guilty and must pay a fine and court costs totaling \$348 and was ordered to serve 30 days in jail.

PRODUCER LICENSING DIVISION

Producer License Expiration Dates

Initial individual licenses are issued to expire the last day of the licensee's birth month in the first year after issuance in which the licensee's age is divisible by two.

Initial individual licenses are issued to expire the last day of the licensee's birth month in the first year after issuance in which the licensee's age is divisible by two. In other words, individuals born in even numbered years will need to renew their licenses on the last day of their birth month in every even numbered year; individuals born in odd numbered years will need to renew their licenses on the last day of their birth month in every odd numbered year.

Example: A licensee, who was born in October of an even numbered year and applies for a license in June of an even numbered year, will have his/her license expire the last day in October of that same year and then be active for a two-year period thereafter.

Continuing Education Requirements

In order to follow NAIC uniform guidelines for continuing education requirements, a change has been implemented for producers holding one or more major lines of authority.

In order to follow NAIC uniform guidelines for continuing education requirements, a change has been implemented in regards to the continuing education requirements for producers holding one or more major lines of authority. All licenses with one or more major line of authority, commencing on or after January 1, 2010, will be required to complete a total of 24 hours of continuing education in a two-year renewal period.

Licensees qualified to solicit one or more major lines of authority shall be required to complete the following approved continuing education activities and 3 hours of ethics in each two-year period commencing before January 1, 2010.

All licenses with one or more major line of authority, commencing on or after January 1, 2010, will be required to complete a total of 24 hours of continuing education in a two-year renewal period.

Life	6 hours
Health	6 hours
Combined Life and Health	12 hours
Property	21 hours
Casualty	21 hours
Combined Property and Casualty	21 hours
Personal Lines	21 hours
Title	6 hours
Crop	3 hours
Variable	6 hours

The key word for producers, when considering continuing education activities, is “commencing.”

Licenseses qualified to solicit one or more major lines of authority shall be required to complete the following approved continuing education activities and 3 hours of ethics in each two-year period commencing on or after January 1, 2010.

Life	21 hours
Health	21 hours
Combined Life and Health	21 hours
Property	21 hours
Casualty	21 hours
Combined Property and Casualty	21 hours
Personal Lines	21 hours
Title	6 hours
Crop	3 hours
Variable	21 hours

All producers must complete their continuing education prior to renewal.

The key word is “Commencing.” All producers must complete their continuing education prior to renewal. For example, a license that expires in 2010 or 2011 and has a CE due, the producer has to complete the current requirements because their license commenced prior to 1/1/10 and thus they are completing CE for a time period that began before 1/1/10.

Ethics Requirement

In addition to the hours required above, licensees are required to complete three hours of approved continuing education activities on insurance industry ethics. Insurance consultants and brokers shall be required to complete 21 hours of continuing education activities and three hours of approved continuing education activities on insurance industry ethics in each two-year period.

No licensee shall be required to complete more than 24 cumulative hours in any two-year period.

All questions regarding producer licensing may be directed to **jason.mccartney@nebraska.gov**.

In addition to the continuing education hours required, licensees are required to complete three hours of approved continuing education activities on insurance industry ethics.

PROPERTY AND CASUALTY DIVISION

SERFF Update

We want to thank everyone for their co-operation in our conversion over to the SERFF-only method for filing submission. We hope that you find the new requirement for filing submissions works to your advantage as well.

Since CB-50—the filing manual—was last updated several years prior to going to the SERFF-only process, we are now making the necessary updates and hope to have a new revised version on our website at **www.doi.ne.gov** within the next 90 days.

SERFF REMINDER – When using the TOI and sub-TOI classifications, please make sure that you are using the appropriate classification for the line of business being submitted. If you do not have a certificate of authority for a given line, it is important that you contact our company admissions staff about adding a new line of authority to your certificate of authority in order to write the line of business. We cannot accept filings that are submitted under a classification code that is not descriptive of the class of business being written.

Marketplace Survey

As many of you know, twice a year we send a survey/questionnaire to a number of agents throughout the state asking several questions regarding the marketplace. We try to get a cross section of the state so we are aware if certain areas of Nebraska are having problems.

We sent a survey out earlier this spring and from that survey's results, we have determined that for some commercial lines, such as property, liability and auto, over 80% of those responding to the survey had two or more markets available. We also learned that 69% of those surveyed had two or more workers' compensation markets available. As we expected, for lines such as professional liability, medical malpractice, and title, the results were considerably less.

We also asked about markets for specific types of business and the number of markets that were available. We were pleased to find that of the responses received, two or more markets are available for many classes of business. Additionally, 57% of those responding had two or more markets available for trucking. Markets were much more limited for Underground Storage Tanks and Nursing Homes.

Any questions or concerns regarding the marketplace survey may be directed to Beverly Anderson at **bev.anderson@nebraska.gov**.

LEGAL DIVISION

Workers' Compensation Insurers Required to Report

Section 48-120.04 of the Nebraska Workers' Compensation Act requires workers' compensation insurers to report claim and stop-loss threshold counts by Diagnostic Related Group (DRG) to the court by October 15th of each year. Each reporter must provide a technical contact to the court by August 1st of each year. The Registration and Upload links are now available. Registrations are still being accepted. A validation program can also be downloaded. Please consult the Workers' Compensation Court's website for complete information: http://www.wcc.ne.gov/medical/fs_drg_reporting.aspx.

Actions Taken Against Companies

CAUSE NO.	ALLEGATION	DISPOSITION
C-1822 New England Life Insurance Company Massachusetts	Violated Title 210 NAC Chapter 15 §009.01. Violation of the Variable Life Insurance Contracts regulation.	Consent Order \$6,150 admin. fine 4/28/2010
C-1828 Homesite Insurance Company Connecticut	Violated <u>Neb.Rev.Stat.</u> §§44-1524 and 44-1525(11). Violated Unfair Trade Practices Act; failed to respond within 15 business days.	Consent Order \$3,000 admin. fine 5/10/2010
C-1830 Washington National Insurance Company Illinois	Violated <u>Neb.Rev.Stat.</u> §§44-1540 (2) & (3), and Title 210 NAC Chapter 61 §§006.03 and 008.02. Violated Unfair Claims Settlement Act; violated Unfair Life, Sickness and Accident Claims Settlement Practices Rule.	Consent Order \$1,000 admin. fine 5/17/2010
C-1831 Copic Insurance Company Colorado	Violated <u>Neb.Rev.Stat.</u> §§44-1524 and 44-1525(12). Violated Unfair Trade Practices Act; accepted business from non-appointed producer(s).	Consent Order \$3,450 admin. fine 6/8/2010
C-1841 Imperial Casualty and Indemnity Company Oklahoma	Company placed in liquidation by its domiciled state.	Certificate of Authority revoked 6/8/2010
C-1848 Pegasus Insurance Company, Inc. Oklahoma	Hazardous decline in surplus.	Certificate of Authority suspended 7/2/2010

Actions Taken Against Producers

CAUSE NO.	ALLEGATION	DISPOSITION
A-1868 Travis Skiles Grand Island, NE	Violated <u>Neb.Rev.Stat.</u> §§44-1525(10) and 44-4059(1)(h). Misrepresentation on or relative to an application for an insurance policy; used fraudulent, coercive or dishonest practices.	Consent Order \$500 admin. fine 7/30/2010
A-1871 Daniel Lamon Omaha, NE	Violated <u>Neb.Rev.Stat.</u> §§44-1525(11), 44-4059(1)(b), (g), & (h), and 44-4064. Failed to respond with 15 business days; violated any insurance law; committed an unfair trade practice; used fraudulent, coercive, or dishonest practices; failed to pay the appropriate licensing fee.	Order Producer license revoked 4/16/2010
A-1872 Michael Jordan Missouri Valley, IA	Violated <u>Neb.Rev.Stat.</u> §44-4059(1)(h). Used fraudulent, coercive, or dishonest practices, or demonstrated a lack of fitness.	Order Producer license revoked 7/7/2010
A-1873 Gerald Mattea Papillion, NE	Violated <u>Neb.Rev.Stat.</u> §§44-4059(1)(h), and 44-4065(2). Used fraudulent, coercive or dishonest practices; failed to report criminal prosecution within 30 days of arraignment or waiver of arraignment.	Consent Order Producer license suspended for 6 months beginning July 5, 2010 6/30/2010
A-1874 William C. Steckis Omaha, NE	Violated <u>Neb.Rev.Stat.</u> §44-1525(1)(f), and 44-4059(1)(b), (g), (h), & (j). Misrepresentation to induce the purchase of a policy; violated any insurance law; committed an unfair trade practice; used fraudulent, coercive, or dishonest practices; forged another's name to an application.	Consent Order \$2,000 admin. fine Producer license suspended for 6 months 6/21/2010
A-1875 Prime Capital Services, Inc. and Rose Moffett Rudden Poughkeepsie, NY	Violated <u>Neb. Rev. Stat.</u> § 44-4065(1). Failed to report an administrative action taken in another jurisdiction.	Consent Order \$500 admin. fine 7/20/2010
A-1876 Edward Schwartz Omaha, NE	Violated <u>Neb.Rev.Stat.</u> §§44-1525(11) and 44-4059(1)(b). Failed to respond within 15 business days; violated any insurance law.	Consent Order \$500 admin. fine 7/23/2010

Actions Taken Against Producers (cont.)

CAUSE NO.	ALLEGATION	DISPOSITION
A-1877 Omaha Title and Escrow, Inc., Samuel L. Cooper, and Jill M. Kussman Omaha, NE	Violated <u>Neb.Rev.Stat.</u> §44-19,109(3). Failed to maintain a surety bond or letter of credit.	Consent Order \$1,000 admin. fine 6/22/2010
A-1878 Washington County Abstract & Title, LLC, Samuel L. Cooper, and Jill M. Kussman Omaha, NE	Violated <u>Neb.Rev.Stat.</u> §44-19,109(3). Failed to maintain a surety bond or letter of credit.	Consent Order \$1,000 admin. fine 6/22/2010
A-1879 NP Dodge Title Services, Inc., Samuel L. Cooper, and Jill M. Kussman Omaha, NE	Violated <u>Neb.Rev.Stat.</u> §§44-19,109(3) and 44-19,112(3). Failed to maintain a surety bond or letter of credit; failed to file an affiliated business disclosure form.	Consent Order \$1,500 admin. fine 6/22/2010
A-1880 Select Title Company and Heather Ann Robinson Omaha, NE	Violated <u>Neb.Rev.Stat.</u> §§44-19,112(1) & (3), and 44-4059(1)(b). Failed to provide customer with written disclosure of an affiliated business arrangement with another company involved in the transaction; failed to file an affiliated business disclosure form; violated any insurance law.	Consent Order \$1,000 admin. fine 7/13/2010
A-1881 Michael P. Roberts Bennington, NE	Violated <u>Neb.Rev.Stat.</u> §§44-4059(1)(b) and (h). Violated any insurance law; used fraudulent, coercive, or dishonest practices.	Consent Order \$1,000 admin. fine 7/21/2010

Case Summaries

Drummond v. State Farm Mut. Auto. Ins. Co., 280 Neb. 258, July 23, 2010

Robert Drummond was injured when an underinsured taxicab driver backed over him. The liability insurer for the taxicab driver tendered \$100,000, the limit of his liability coverage. Drummond then made a claim with State Farm for underinsured motorist benefits, and State Farm determined that damages were no higher than \$300,000. State Farm and Drummond eventually agreed to submit the issue of damages to arbitration. The arbitrator issued an award of \$899,285.59 for damages and \$115,000 for Drummond's wife's loss of consortium. State Farm

paid this amount, at which time Drummond requested that State Farm also pay attorney's fees. State Farm refused, and Drummond filed in Lancaster County District Court for confirmation of the arbitrator's award under Neb.Rev.Stat. §25-2612. State Farm responded with a motion to strike, arguing that since the claim was paid, the matter was moot. The District Court agreed, and granted the motion to strike.

On appeal, Drummond argues that in order to obtain attorney's fees under Neb.Rev.Stat. §44-359, he needs the courts confirmation of the arbiter's award. He further argues that whether the claim was paid or not, the court has no discretion to deny confirmation, based on the language of the statute. Neb.Rev.Stat. §25-2612 states, "[w]ithin sixty days of the application of a party, the court shall confirm an award, unless, within the time limits hereinafter imposed, grounds are urged for vacating or modifying or correcting the award." The Nebraska Supreme Court evaluated how other states have handled this issue, and ultimately found the word "shall" to be controlling. The Court concluded that the plain language of §25-2612 *requires* that a court confirm an arbitration award upon application of a party. It reversed the district court's decision granting State Farm's motion to strike and remanded the cause.

Hearst-Argyle Properties, Inc. v. Entrex Communication Services, Inc., 279 Neb. 468, 778 N.W.2d 465 (February 19, 2010)

In July 2003, a television antenna collapsed in Omaha, Nebraska. Entrex Communication Services and others (Defendants) had contracted to remove the antenna and replace it with a digital one. Hearst-Argyle Properties (Hearst) owned the tower and alleged that Defendants' negligence caused the collapse and \$6 million in damage to Hearst's property. Hearst pressed its claim for \$250,000 in alleged damages that had not been covered by insurance, because of the policy's deductible. Defendants claim that specific clauses in the contract bar Hearst's recovery for the insurance deductible. Specifically, the contract required Hearst to, "purchase and maintain...property insurance written on a builder's risk "all-risk" or equivalent policy form in the amount of the initial Contract Sum...comprising total value for the entire Project at the site on a replacement cost basis *without optional deductibles*." Further the contract stated, "If the property insurance requires deductibles, [Hearst] shall pay costs not covered because of such deductibles."

Hearst argued that these clauses require Hearst to pay the cost of the deductibles, but do not preclude it from seeking indemnification from Defendants for those costs. However, the court did not agree with this reasoning. The court held that the plain language made clear that Hearst was liable to pay the deductible costs.

More interestingly, however, Hearst also argued that the contract operates to protect the defendants from liability for their gross negligence, and therefore it is void as against public policy. The Nebraska Supreme Court analyzed past case law and found that the issue involves two competing public policies. First, the court recognized a public policy in preventing parties from insulating themselves from liability for gross negligence. The court stated, "[c]ommon sense tells us that the greater the risk to human life and property, the stronger the argument in favor of voiding attempts by a party to insulate itself from damages caused by that party's gross negligence or willful and wanton misconduct." However, the court has also held that waivers of subrogation serve an important policy goal in avoiding disruption of construction projects and reducing litigation among parties to complicated construction contracts."

While this issue involves an analysis of the facts on a case by case basis, in this case, the court held that the terms of the contract served to encourage the anticipation of risks and the procurement of insurance against those risks and that the parties were sophisticated business entities capable of appreciating those risks. Ultimately, the Supreme Court held that given the facts and circumstances of the contract and the parties involved, the contract provisions were not void as against public policy.

Midwest PMS v. Olsen, 279 Neb. 492, 778 N.W.2d 727 (February 26, 2010)

In 2004, Gary Olsen suffered an injury to his right shoulder arising from his employment with Midwest PMS. At that time, Midwest PMS was insured for workers' compensation by Federated Mutual Insurance Company (Federated). All of Olsen's bills resulting from that injury were paid. Olsen was injured again in late April 2005. This was a new injury to his left shoulder and an aggravation of the initial injury to his right shoulder. At the time of the second injury, Midwest PMS was insured for workers' compensation by Nationwide Agribusiness Insurance Company (Nationwide). Both Federated and Nationwide answered the petition. Federated paid indemnity and medical benefits to Olsen for injuries following the alleged 2005 accident, but filed a cross-claim for indemnity from Nationwide for any new injuries Olson suffered. The merits of this claim were never met because a lump-sum settlement agreement was reached and approved by the Workers' Compensation Court.

Federated then filed a new petition for reimbursement by Nationwide for any new injuries arising from the latest accident. Nationwide denied the allegations and alleged that the Workers' Compensation Court had no jurisdiction to decide the dispute between the insurers. The Workers' Compensation Court agreed with Nationwide, concluding that the court's ancillary jurisdiction did not extend to an action between two insurers when there was no employee's claim pending. Federated appealed to the Nebraska Supreme Court, and the question is whether the compensation court's ancillary jurisdiction extends to a claim between insurers when the employee's right to benefits is no longer disputed.

The Court found that the ancillary jurisdiction of the Workers' Compensation Court is based on Neb.Rev.Stat. §48-161. The legislative history of §48-161 suggests that the amendment was made at the request of the Workers' Compensation Court and that the Legislature's primary concern was that a claimant's compensation might be delayed if the Workers' Compensation Court was unable to resolve ancillary issues that affected the claimant's ability to obtain benefits. Despite this obvious purpose, the Court also noted that the dispute is no less ancillary to that resolution before the employee has been paid than after. After reviewing prior case law, the Court held that the final resolution of an employee's right to workers' compensation benefits does *not* preclude an issue from being "ancillary" to the resolution of the employee's right to benefits within the meaning of §48-161. Further, the Court held that under the circumstances presented in this case, Federated's subrogation claim was ancillary to the Workers' Compensation Court's approval of the lump-sum settlement between Olsen and his employer.

Straub v. City of Scottsbluff, 280 Neb. 163, __ N.W.2d __ (July 2, 2010)

Robert Straub is a sergeant with the Scottsbluff Police Department and was employed in that capacity when he suffered compensable injuries from a work related accident. On August 7, 2006, while on his way to a hospital for an MRI related to his initial work-related injury, Straub's vehicle was hit by another vehicle. He had taken the day off from work and had taken his children to a babysitter's house. The accident occurred between the babysitter's house and the hospital. The Workers' Compensation Court determined that Straub's injuries from this car accident were compensable because Straub was on his way to a doctor's appointment due to injuries received during the first work-related incident. The City of Scottsbluff appealed this decision.

Although the Nebraska Supreme Court has specifically declined to address this issue in the past, it recognized that the respected treatise, *Larson's Workers' Compensation Law*, states that "an accident occurring on a trip to a doctor's office or a place of testing ordered by the doctor is generally compensable if the original injury was also compensable." The Court noted that the Nebraska Workers' Compensation Act provides that if an employee fails to avail himself or herself of medical or surgical treatment, he or she can lose those benefits. Further, the Court has allowed compensation for travel to and from necessary medical services in the past. Although Strauss had detoured to take his children to the babysitter, the court held that under the dual purpose rule, an injury arising out of a trip with both a business and a personal purpose is compensable if the trip was occasioned by a business purpose. In this case, Straub's trip was occasioned by a business purpose because he was seeking treatment for a work-related injury.

Ultimately, the Court held that an employee's injury which occurs en route to a required medical appointment that is related to a compensable injury is also compensable, so long as the chosen route is reasonable and practical. The Court held Straub's route to be both reasonable and practical, affirming the lower court's decision.

Regulation Updates

Adopted Amended Regulations

210 NEB. ADMIN. R. & REG. 55—RULE TO DEFINE STANDARDS AND DIRECTOR'S AUTHORITY FOR COMPANIES DEEMED TO BE IN HAZARDOUS FINANCIAL CONDITION

Chapter 55 was amended to clarify and update portions of the administrative rule setting forth those standards which may be used by the Director to determine whether an insurer transacting business in this state is operating in a hazardous financial condition. The proposed amendment also clarifies and updates those actions authorized to be taken by the Director when a finding has been made that an insurer is operating in a hazardous financial condition. The amended regulation was filed with the Secretary of State on August 17, 2010, with an implementation date of January 1, 2011.

210 NEB. ADMIN. R. & REG. 69—ACTUARIAL OPINION AND MEMORANDUM REGULATION

Chapter 69 was amended to modify the definition of the Regulatory Asset Adequacy Issues Summary to require the appointed actuary to make a statement as to the impact of the insufficiency of assets to support the payment of benefits and expenses and the establishment of statutory reserves during one or more interim periods. The amended regulation was filed with the Secretary of State on August 2, 2010, with an implementation date of August 7, 2010.

Proposed Amended Regulation

210 NEB. ADMIN. R. & REG. 71—VALUATION OF LIFE INSURANCE POLICIES REGULATION

Chapter 71 establishes a methodology using X factors (mortality adjustments) in the deficiency reserve calculation that allows life insurers to adjust the standard valuation mortality to mortality that more closely approximates the expected mortality experience for their policies subject to this regulation. When the X factor is less than 100% at any duration for any such policy, the proposed amendment of this regulation would, as part of the Regulatory Asset Adequacy Issues Summary required of life insurers each year, require the appointed actuary to make an added statement as to the impact of the insufficiency of assets to support the payment of benefits and expenses and the establishment of statutory reserves during one or more interim periods. The hearing on proposed amendments to Chapter 71 will be held on September 23, 2010, at 1:30 p.m. and will continue until concluded, at the offices of the Nebraska Department of Insurance, 941 O Street, 5th Floor Conference Room, Lincoln, Nebraska.

Amended Bulletin

CHAPTER 56 (AMENDED) - REPLACEMENT OF LIFE INSURANCE AND ANNUITIES

Chapter 56 was amended on May 12, 2010, to address the Department's concern over the ongoing confusion regarding the duties of replacing insurers to existing insurers as stated in Chapter 19 (Amended). A copy of Chapter 56 (Amended) can be found on the Department of Insurance website at www.doi.ne.gov/bulletin/cb56_2010_05_14.pdf.

LIFE AND HEALTH DIVISION

Annuity Products Now Accepted Through IIPRC

The Interstate Insurance Product Regulation Commission (IIPRC) is now accepting both variable and non-variable annuity products with guaranteed benefit features. The following Uniform Standards were adopted by the Commission earlier this year and are now effective for purposes of filing:

- Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities
- Guaranteed Living Benefits for Individual Deferred Variable Annuities
- Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities

These benefits can be submitted as part of the annuity contract or as a rider, endorsement or amendment, and are eligible for mix and match with state-approved product components. The IIPRC continues to round out the extensive types of individual annuity products which may be filed through the IIPRC's central, standardized filing process. By facilitating the preparation and submission of a product filing, the IIPRC is providing speed-to-market benefits to both companies and its customers.

Once approved under rigorous, detailed and consumer-oriented uniform standards, filings can be marketed in up to 35 states and Puerto Rico, with IIPRC review taking 60 days or less. A Filing Information Notice (FIN) is posted to the website to provide filing guidance. To view a copy of the FIN, please visit www.insurancecompact.org/fin.htm.

EXAMINATION DIVISION

Financial Examinations Completed During Second Quarter, 2010

Acceptance Casualty Insurance Company
Acceptance Indemnity Insurance Company
Berkshire Hathaway Life Insurance Company of Nebraska
Columbia Insurance Company
Cornhusker Casualty Company
Farmers Mutual Fire Insurance Association of Seward County
Lincoln Benefit Life Company
National Fire & Marine Insurance Company
National Indemnity Company
Oak River Insurance Company
Pacific Life Insurance Company
Physicians Life Insurance Company
Physicians Mutual Insurance Company
Polk and Butler Mutual Insurance Company
Redwood Fire and Casualty Insurance Company
Surety Life Insurance Company
USAA Direct Life Insurance Company
Wesco-Financial Insurance Company
York County Farmers Mutual Insurance Company

Financial examination reports become public documents once they have been placed on official file by the Department. Copies may be obtained from the Department at the cost of \$.50 per page.



The Department has a new mailing address. Effective immediately, please use the following post office box number and zip code when mailing correspondence to us:

P. O. Box 82089
Lincoln, NE 68501-2089

Please note that our physical location has not changed. The Department is still located at:

941 O Street, Suite 400
Lincoln, NE 68508

When sending the Department items using an express service such as UPS, FEDEX, etc., be sure to use our physical street address and not the postal service's box address.

Postal Service Mail Tip: When addressing mail using both a street address and a box number, the postal service will deliver mail to the 2nd line from the bottom. The zip code must correspond with the 2nd line address. To ensure mail is received, it should be addressed as follows:

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

Congratulations....

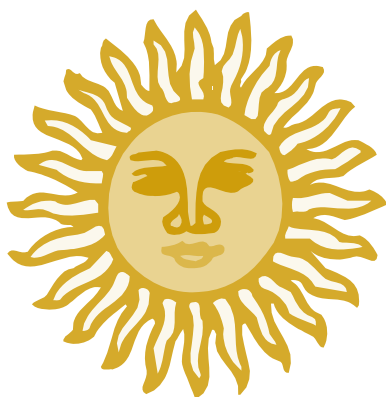
☆ **Tracy Gruhn—Employee of the Year**

☆ **Gary Timm—Supervisor of the Year**

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

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Department Calendar

- September 6: Department Closed - Labor Day
- October 11: Department Closed - Columbus Day
- November 11: Department Closed - Veteran's Day
- November 25-26: Department Closed - Thanksgiving