

INSURANCE

Pete Ricketts

Governor

Bruce R. Ramage

Director

A Message from the Director....



Bruce R. Ramage

Department Hosts International Fellow from Thailand

Nebraska has been a host jurisdiction for several International Fellows since the National Association of Insurance Commissioners (NAIC) developed its International Fellows Program in 2005. In April and May of this year, Phonthip Wangsirisuk from Thailand’s Office of Insurance Commission was our guest. Ms. Wangsirisuk arrived in the United States on April 6, 2015, and participated in a week-long orientation at the NAIC offices in Kansas City, Missouri. Following orientation, she traveled to Nebraska for five weeks of work in her specialized area, under the supervision of Laura Arp, Counsel with the Department, who served as a mentor and host.

Ms. Wangsirisuk is an on-site financial examiner with the Office of Insurance Commission in Bangkok, Thailand. She has a Masters of Accountancy from Virginia Tech. After earning her degree, Ms. Wangsirisuk worked as an Auditor at E&Y, then was a Senior Examiner for the Thai insurance department. Ms. Wangsirisuk worked as an Internal Audit Manager and Assistant Vice President for an insurance company in Thailand for eight years, then returned to the Office of Insurance Commission.

Ms. Wangsirisuk’s work in Nebraska focused on supervisory techniques for financial condition and market conduct. Department employees shared their experience in areas including financial analysis, actuarial analysis, financial examinations, market conduct examinations, holding companies, state-based regulation, and international insurance regulation. Ms. Wangsirisuk participated in on-site financial and market conduct examinations and met with insurance company representatives to gain an industry perspective of the insurance market and regulatory compliance.

Inside:

LIFE & HEALTH

2

- New Division Administrator Named
- Trade Secret Protection
- Qualified Health Plans

PRODUCER LICENSING

4

- New Division Administrator Named
- Two New Insurance Licenses Offered

LEGAL

5

- Legislative Bills Summary
- New Requirements for TNCs
- Amendments to CB-128
- Collection of Insurance Consultant, Agent or Broker Fees or Commissions
- Case Summaries
- Company/Producer Actions

FRAUD

12

- Annual Insurance Fraud Conference
- Evolution of Organized Crime
- Court Actions

MARKET CONDUCT

15

- Staff Updates

EXAMINATION DIVISION

15

- Pre-Need Exams Completed
- Financial Exams Completed

Department Calendar

Back

Sincere thanks to Ameritas, Assurity, Blue Cross Blue Shield of Nebraska, Farmers Mutual, Mutual of Omaha, Physicians Mutual and State Farm for opening your doors and providing Ms. Wangsirikus the opportunity to learn more about your companies.



Christy Neighbors, Phonthip Wangsirikus, Director Ramge, Laura Arp

Ms. Wangsirikus concluded the program in New York City with training at the NAIC Capital Markets Bureau and Securities Valuation Office, as well as a roundtable with insurance industry representatives and a ceremonial graduation dinner to highlight her accomplishments.

We enjoyed our time with Ms. Wangsirikus and look forward to hosting International Fellows in the future.

LIFE & HEALTH DIVISION

Karl Hug has been named the division's administrator, effective May 20, 2015.

New Division Administrator Named

Following the recent retirement of Stephen King, Karl Hug has been named the division's administrator, effective May 20, 2015. Many of you are familiar with Karl, as he has worked as a life/health analyst since he began his employment with the Department in 2013. Karl can be reached by emailing him at **karl.hug@nebraska.gov**.

Unless the company specifically requests a trade secret exemption, and the exemption is granted, all SERFF filings are made public.

Trade Secret Protection

The division has issued guidance on trade secret protection for companies that wish to file in SERFF. Unless the company specifically requests a trade secret exemption, and the exemption is granted, all SERFF filings are made public. You may find the guidance in SERFF General Instructions and also in SERFF Plan Management General Instructions.

Any questions may be directed to Karl Hug at **karl.hug@nebraska.gov**.

CMS will send out correction notices to QHP issuers on August 13–14.

During the correction period, issuers will be able to upload revised QHP data templates and make other needed changes to QHP applications in response to CMS's feedback, until August 25.

Be sure to upload the correct Statement of Detailed Attestation Response, which is the Federally-facilitated Marketplace Issuer Attestation.

QHP issuers, other than those seeking accreditation, should submit an accreditation certificate for each accreditation listed on template.

Qualified Health Plans

The following applies to companies that have filed Qualified Health Plan (QHP) binders in SERFF, for the Plan Year 2016.

Qualified Health Plans to be recommended for certification:

- CMS will send out correction notices to QHP issuers on August 13–August 14. During the correction period, issuers will be able to upload revised QHP data templates and make other needed changes to QHP applications in response to CMS's feedback, until August 25.
- Issuers may not add new plans or change an off-Marketplace plan to a both "on- and off-Marketplace" during this time.
- Issuers will not have an opportunity to make any further corrections to their QHP Application data after receiving CMS certification notices and prior to QHP Agreement signing.

Program Attestations:

- In your QHP binders, please be sure to upload the correct Statement of Detailed Attestation Response, which is the Federally-facilitated Marketplace Issuer Attestation.

Accreditation:

- During certification for an issuer's initial year of QHP certification, a QHP issuer without existing accreditation granted by a recognized accrediting entity for the same state in which the issuer is applying to offer coverage, must have scheduled or plan to schedule a review of QHP policies and procedures of the applying QHP issuer with a recognized accrediting entity.
- QHP issuers, other than those seeking accreditation, should submit an accreditation certificate for each accreditation listed on template. This does not apply to SADPs.

Questions concerning these filings may be directed to Karl Hug at karl.hug@nebraska.gov.

PRODUCER LICENSING DIVISION

New Division Administrator Named

Kevin Schlautman has been promoted to Licensing Administrator, effective June 1, 2015. Kevin began with the department as a market conduct examiner in December 2013. Kevin has assumed the duties previously held by Jason McCartney, who left the Department in April, 2015.

Two New Insurance Licenses Offered

Effective August 30, the Nebraska Department of Insurance will offer two new insurance licenses:

1. a producer's Limited Line Funeral Insurance license
2. an Agency-Travel license

The new producer Limited Line Funeral license authorizes individuals to sell pre-need funeral insurance. Pre-need funeral insurance is a life insurance or fixed annuity contract purchased solely to pay the costs of funeral services or funeral merchandise from a funeral home or cemetery.

Funeral Insurance Requirements

Prelicensing: 8 hours (included is 3 hours of ethics)
Continuing Education: 6 hours of general, 3 hours of ethics

Funeral Insurance – Director Requirements

Prelicensing: 6 hours (included is 3 hours of ethics)
Continuing Education: 3 hours of general, 3 hours of ethics

- We will allow all prelicensing courses, continuing education courses and exams which would be sufficient to obtain or maintain a life license, to qualify them for the funeral license.
- Directors must submit proof (a funeral director certificate) when applying for a new license only.

Limited Lines Agency-Travel

The new limited lines Agency-Travel license is based on the National Association of Insurance Commissioners' (NAIC) model law. Individual producers will no longer need to hold a travel producer license as long as they are listed under the new Agency-Travel license. The license fee is \$50 and renews annually on April 30.

The business entity will be required to have at least one designated responsible licensed producer. They also are required to submit a list of each travel retailer on a Department of Insurance form, which is found on our website at www.doi.nebraska.gov under Producer Licensing Applications. For more information, please see LB 458.

Questions may be directed to the Producer Licensing Division staff at 402-471-4913.

LEGAL DIVISION

Legislative Bills Summary

On May 29, 2015, the 104th Legislature, First Session, adjourned for the year. The Legislature introduced 664 substantive law bills and 59 appropriation bills. Of those, 243 bills were passed and approved by the Governor. The Governor vetoed nine bills, of which four were passed with an override of the gubernatorial veto.

Of the bills that were tracked by the Department of Insurance because of impact on the insurance industry, 12 passed and were signed into law. Four of these bills are summarized elsewhere. The legislative updates in the Spring 2015 Newsletter provided brief summaries of three bills that had already become law at that point, **LB 180** (Redefine term relating to title insurance business), **LB 198** (Authorize licenses for limited line pre-need insurance) and **LB 298** (Change provisions relating to credit for reinsurance). Additionally, **LB 629** (Provide for regulation of transportation network companies) is featured separately in this newsletter.

The remaining eight insurance bills relating to the insurance industry are summarized below. Unless otherwise noted, the bills become effective on August 30, 2015. To read the full text and to learn more about the legislative history of any legislation, please visit www.nebraskalegislature.gov. Utilize the “Search Current Bills” tool in the upper right-hand corner of the webpage to find the individual bill’s webpage. Once there, select “Slip Law Copy” to read the bill in its final, enacted form.

LB 157 (McCollister) Change operative date provisions relating to the Nebraska Model Business Corporation Act. LB 157 delays the operative date of the new Nebraska Model Business Corporation Act, which was enacted as LB 749 in 2014, from January 1, 2016, to January 1, 2017.

LB 257 (Nordquist) Require insurers to provide descriptions relating to telehealth and telemonitoring. The new law requires health insurers, upon the request of a policyholder or health care provider, to provide a description of the telehealth and telemonitoring services covered under the policy. The description shall include a description of services included in telehealth and telemonitoring coverage, exclusion or limitations for telehealth and telemonitoring coverage, requirements for the licensing status of health care providers providing telehealth and telemonitoring services, and requirements for demonstrating compliance with the signed written statement requirement in Neb. Rev. Stat. § 71-8505.

LB 342 (Howard) Permit insurers to contract for pharmacist professional services. The legislation provides that on and after January 1, 2016, an insurer may contract with a licensed pharmacist for pharmacist professional services. The new law allows for insurers to contract with a licensed pharmacist who is not employed or associated with a pharmacy, and the law does not require a licensed pharmacist to contract with an insurer.

LB 414 (Harr) Provide a property tax exemption for fraternal benefit societies. Effective January 1, 2016, LB 414 exempts the property of a fraternal benefit society, organized under Neb. Rev. Stat. § 44-1072 to § 44-10,109, from taxation.

LB 456 (Gloor) Change provisions relating to the Nebraska Exchange Stakeholder Commission. Effective May 27th, 2015, LB 456 amends Neb. Rev. Stat. § 44-8704 to reduce the minimum numbers of meetings that the Nebraska Exchange Stakeholder Commission must hold per year from four to three.

LB 458 (Kolterman) Authorize limited lines travel insurance producer licenses. LB 458 amends the Insurance Producers Licensing Act to provide a statutory limited lines travel insurance producer license. The license allows the licensee to sell travel insurance, meaning insurance coverage for personal risks incident to planned travel, through a licensed insurer. The new law places a number of duties on the licensee including the establishment and maintenance of a register of each travel retailer offering travel insurance on the licensees behalf, that such retailers must provide prospective purchasers certain information related to the travel insurance coverage, the designation of an employee who is the person responsible for compliance, and training of employees. The law also places duties and restrictions on travel retailers. Limited lines travel insurance producers are exempt from examination, pre-licensing education, and continuing education, but are responsible for the actions of the travel retailers and are subject to discipline by the Director of Insurance pursuant to Neb. Rev. Stat. § 44-4059.

LB 480 (Harr) Change provisions relating to the Nebraska Workers' Compensation Act. LB 480 is omnibus Workers' Compensation legislation which, as amended, included four amended bills updating the Nebraska Worker's Compensation Act.

LB 133 Changes the interest rate in the award when attorney fees are allowed from fourteen percent to six percentage points above a calculation involving U.S. Treasury bills. The new calculation would, in most cases, lower the interest rate to single digits.

LB 158 Provides that no compensation shall be allowed if, at the time of entering into employment (1) the employee knowingly and willfully made a false representation in writing about being able to perform the essential job functions, (2) the employer relied on the false representation and was a substantial factor in hiring, and (3) a causal connection existed between the false representation and the injury.

LB 363 Prohibits medical providers and suppliers from collecting certain finance charges and late penalties.

LB 600 Allows an employer who self-insures its workers' compensation liability to invest its trust assets in a manner similar to how public retirement or pension trusts are invested. If the trust assets fall below a level acceptable to the compensation court, additional assets must be deposited.

LB 559 (Schumacher) Change provisions relating to the treatment of tax credits under the New Markets Job Growth Investment Act. LB 559 amends Neb. Rev. Stat. § 77-1113, a provision of the New Markets Job Growth Investment Act (Act), to clarify that a vested tax credit against an insurer's premium tax liability under the Act shall be considered a payment of tax for purposes of subsection (1) of Neb. Rev. Stat. § 77-2734.03, which provides income tax credits to insurers for premium tax.

New Insurance Requirements for Transportation Network Companies

Legislative Bill 629 creates a new law to regulate ride-sharing companies, also known as transportation network companies or “TNCs.”

TNCs must disclose to drivers, in writing, the coverage limits and any deductible for TNC-provided insurance that may cover drivers when using their personal vehicles in connection with TNC operations.

New TNC insurance requirements become effective September 1, 2015.

TNC insurance may be provided by a driver, the TNC, or a combination of the two.

Legislative Bill 629 creates a new law to regulate ride-sharing companies, also known as transportation network companies or “TNCs.” A TNC provides prearranged transportation services for compensation, using an online-enabled application or platform to connect passengers with participating drivers using a personal vehicle. Uber and Lyft are two examples of TNCs.

The new law requires that TNCs inform drivers about insurance coverage. TNCs must disclose to drivers, in writing, the coverage limits and any deductible for TNC-provided insurance that may cover drivers when using their personal vehicles in connection with TNC operations. The written disclosure must also inform drivers that in many personal auto policies, the driver’s policy does not provide coverage for damage to the vehicle used by the driver, uninsured and underinsured motorist coverage, and other first-party claims from the moment the driver logs on to the TNC’s online-enabled application or platform to the moment the driver logs off of the TNC’s online-enabled application or platform, and that the driver should contact his or her insurer to determine coverage.

New TNC insurance requirements become effective September 1, 2015. TNC insurance may be provided by a driver, the TNC, or a combination of the two. Insurance requirements differ based on three exposure periods in the TNC business model:

- In Period 1, a driver has the TNC’s online-enabled application or platform on to indicate that the driver is available to be matched with passengers.

For Period 1, TNC insurance is the primary coverage, and minimum limits are \$25,000 for death and personal injury per person, \$50,000 for death and personal injury per incident, and \$25,000 property damage. UM/UIM coverage is also required, at the statutory minimum amount. The insurer has the duty to defend and indemnify the insured.

If an insurer cancels or nonrenews a TNC's insurance policy, the insurer must send written notice to the Public Service Commission at least 30 days before the cancellation or nonrenewal is effective.

TNCs and their insurers must cooperate in claims coverage investigations to facilitate the exchange of information.

Drivers must carry proof of TNC insurance coverage while driving for a TNC, and in the event of an accident, a driver must provide TNC insurance information to any other party involved in the accident and to a law enforcement officer.

- In Period Two, the passenger and driver are matched for a ride, but the passenger has not yet entered the vehicle.
- In Period 3, a passenger occupies a driver's vehicle.

For Periods 2 and 3, Primary liability coverage must be provided in the amount of at least \$1,000,000 for death, personal injury, and property damage. UM/UIM coverage is also required, at the statutory minimum amount. The insurer has the duty to defend and indemnify the insured.

If TNC insurance maintained by a driver lapses or ceases to exist, the TNC will provide the required coverage, beginning with the first dollar of a claim. If an insurer cancels or nonrenews a TNC's insurance policy, the insurer must send written notice to the Public Service Commission at least 30 days before the cancellation or nonrenewal is effective.

TNCs and their insurers must cooperate in claims coverage investigations to facilitate the exchange of information, including the provision of dates and times at which an accident occurred that involved a participating driver and the precise times that the participating driver logged on and off the TNC's online-enabled application or platform in the 24 hours preceding the accident.

Drivers must carry proof of TNC insurance coverage while driving for a TNC, and in the event of an accident, a driver must provide TNC insurance information to any other party involved in the accident and to a law enforcement officer.

For more information, contact Connie Van Slyke at **Connie.VanSlyke@nebraska.gov** or Laura Arp at **Laura.Arp@nebraska.gov**.

More background on TNC insurance can be found in the National Association of Insurance Commissioners (NAIC) white paper issued March 31, 2015. The white paper, "Transportation Network Company Insurance Principles for Legislators and Regulators," is available on the NAIC website at **www.naic.org**.

CB-128(Amended), which was issued July 15, 2015, is applicable to all producers wishing to engage in the sale of annuity products, including limited line funeral insurance licensees.

CB-128(Amended) - “Annuity Training for Producers Engaging in the Sale of Annuity Products”

On July 15, 2015, the Department amended CB-128 to reflect the recent creation of a limited line funeral insurance license. The bulletin is applicable to all producers wishing to engage in the sale of annuity products, including limited line funeral insurance licensees. CB-128(Amended), “Annuity Training for Producers Engaging in the Sale of Annuity Products,” can be found at www.doi.nebraska.gov/bulletin/cb128.pdf.

Initially, CB-128, “Annuity Training for Producers with a Life Line of Authority” was issued on July 6, 2012 for the purpose of responding to inquiries the Nebraska Department of Insurance had been receiving with regard to annuity training requirements for insurance producers wishing to sell annuity products. The Department’s responses are provided in a Question and Answer format in CB-128(Amended).

Collection of Insurance Consultant, Agent or Broker Fees or “Commissions” by Insurers

The Department issued a notice dated June 3, 2015 as a result of information received by the Centers for Consumer Information and Insurance Oversight (CCIIO). On May 27, 2015, the CCIIO issued a question and answer memorandum further addressing the issue of when an insurer may exclude, for medical loss ratio (MLR) reporting purposes, earned premium agent and broker fees or commissions paid in connection with a health insurance policy. In that memorandum, CCIIO set forth seven conditions which must be met before an issuer may exclude agent or broker fees from the MLR report.

An insurance consultant is obligated under Neb. Rev. Stat. § 44-2629 to serve the interests of the client with objectivity and complete loyalty. This means that an insurance consultant does not receive a commission or fee from the insurer, rather, that fee is collected directly from the consultant’s client. As a reminder, a consultant also has a different licensure requirement than an agent and/or broker. The fee for the insurance consultant’s services is between the insurance consultant and the client, and the fee must be specifically noted in the consultant contract or agreement. Furthermore, it is unlawful for any insurance consultant, or any agency or sales organization with which the consultant is connected, to receive any part of any commission or compensation paid by an insurer in connection with the sale or writing of any insurance which is within the subject matter of any consulting service performed prior to the sale of insurance and for which such consultant has contracted to receive a fee. If an insurer collects fees on behalf of an insurance consultant, agent or broker, the aforementioned conditions as set forth from CCIIO must be met.

A copy of the notice is available at www.doi.nebraska.gov/notices/notc2015/notice04.pdf.

Case Summaries

Chad P. Johnson v. Nelson, 290 Neb. 703

Chad Johnson rented farmland from Stewart Minnick. The parties entered into a written buyout agreement whereby, after Minnick’s death, Johnson would purchase the farmland. The purchase price was to be funded by an insurance policy owned by Johnson on Minnick’s life. Following Minnick’s death, Minnick’s estate refused to consummate the sale, alleging the contract was unenforceable. Johnson brought action for specific performance and other relief.

Minnick’s estate claimed specific performance was improper because, among other things, the buyout agreement was void because Johnson lacked an insurable interest in Minnick’s life. The district court rejected the estate’s defense, relying on *Ryan v. Tickle*, 210 Neb. 630 (1982), to find the estate had no standing to question Johnson’s insurable interest in Minnick’s life. The Supreme Court distinguished *Ryan*, noting that *Ryan* involved the issue of standing to seek affirmative relief, not the assertion of a defense. The Supreme Court found that *Ryan* does not preclude the assertion of the estate’s defense in this case.

Neb. Rev. Stat. § 44-103(13)(b) states that “an insurable interest . . . exists when the beneficiary because of relationship, either pecuniary or from ties of blood or marriage, has reason to expect some benefit from the continuance of the life of the insured.” As no relationship of blood or marriage exists, the Court went through common relationships which other courts have found to form the basis of an insurable interest. Minnick and Johnson were not business partners, there was no key employee whose death would adversely affect a business, and there was no creditor-debtor relationship. In this instance, the relationship was that of landlord and tenant and of parties to a buyout agreement, to be performed at Minnick’s death. While Nebraska law requires the beneficiary to have some reason to expect some benefit from the continuance of the life of the insured, the Supreme Court found the contrary to exist in this case. The longer Minnick lived, the more premiums Johnson had to pay to keep the policy in force. Johnson’s pecuniary interest would not benefit from the continuation of Minnick’s life. The Court found no insurable interest to exist, and as such found sufficient reason to find the buyout agreement void as against public policy. The Court emphasized that this holding applies only to this case, and did not decide whether a landlord-tenant relationship with respect to agricultural property could ever form the basis of an insurable interest.

Actions Taken Against Companies

CAUSE NO.	ALLEGATION	DISPOSITION
C-2147 Association & Society Insurance Corporation (Maryland)	Violated <u>Neb. Rev. Stat. § 44-5814(1)</u> . Failed to file required annual report.	Consent Order Certificate of Authority surrendered 6/24/2015

Actions Taken Against Producers & Agencies

CAUSE NO.	ALLEGATION	DISPOSITION
A-2009 Crystal Lessert Morrill, NE	Violated <u>Neb. Rev. Stat. §§ 44-4059(1)(b), 44-4059(1)(h), 44-1525(11)</u> . Violated any insurance law; used fraudulent, coercive, or dishonest practices; failed to respond or request additional reasonable time to respond to the Department within 15 working days.	Order \$1,000 fine 4/16/2015
NPN - 8039364		
A-2017 Jeanne E. Rieks Iowa Falls, IA	Violated <u>Neb. Rev. Stat. §§ 44-4055(1), 44-4059(1)(i), and 44-4059(1)(h)</u> . Violated any insurance law; had insurance producer license revoked in another state; used fraudulent, coercive, or dishonest practices.	Consent Order Producer license revoked 4/30/2015
NPN - 6887372		
A-2015 Sarah Cooper Papillion, NE	Violated <u>Neb. Rev. Stat. §§ 44-4059(1)(b), 44-4059(1)(h), 44-1525(11)</u> . Violated any insurance law; used fraudulent, coercive, or dishonest practices; failed to respond or request additional reasonable time to respond to the Department within 15 working days.	Consent Order Producer license revoked 5/6/2015
NPN - 17048878		
A-2016 Joseph Bristow Charlotte, NC	Violated <u>Neb. Rev. Stat. §§ 44-4059(1)(b), 44-4059(1)(h), 44-4059(g); and 44-1525(11)</u> . Violated any insurance law; used fraudulent, coercive, or dishonest practices; been found to have committed any insurance unfair trade practice; failed to respond or request additional reasonable time to respond to the Department within 15 working days.	Order No violation 5/14/2015
NPN - 17313574		
A-2018 Dirk E. Kool Sioux Falls, SD	Violated <u>Neb. Rev. Stat. §§ 44-4059(1)(b), 44-4059(1)(h), 44-4059(g); and 44-1525(11)</u> . Violated any insurance law; used fraudulent, coercive, or dishonest practices; been found to have committed any insurance unfair trade practice; failed to respond or request additional reasonable time to respond to the Department within 15 working days.	Order License suspended \$1,000 fine 6/8/2015
NPN - 17226930		
A-2013 Nyaten Gaye Johnston, RI	Violated <u>Neb. Rev. Stat. §§ 44-4059(1)(b), 44-4059(1)(h), 44-4059(1)(i); 44-4065(1) and 44-1525(11)</u> . Violated any insurance law; used fraudulent, coercive, or dishonest practices; had producer license revoked in another state; failed to report any administrative action to Director within 30 days; been found to have committed any insurance unfair trade practice; failed to respond or request additional reasonable time to respond to the Department within 15 working days.	Order License revoked 6/10/2015
NPN - 16555755		

FRAUD DIVISION

15th Annual Insurance Fraud Conference

The Insurance Fraud Prevention Division (IFPD) is pleased to sponsor our 15th Annual Insurance Fraud Conference on August 5, 2015, at the Strategic Air and Space Museum in conjunction with the division's 20th anniversary.

This year's conference has been approved for six hours of general ethics and anti-fraud continuing education for insurance producers through the Nebraska Department of Insurance. The Nebraska Mandatory Continuing Legal Education Commission (MCLE) has approved 5.5 hours of continuing education for attorneys.

If you are interested in attending, please obtain registration/fee information from Connie Drake at connie.drake@nebraska.gov.

The IFPD is also sponsoring a conference for law enforcement personnel on August 6, 2015. This conference emphasizes law enforcement's role, and steps that can be taken to combat insurance fraud.

Evolution of Organized Crime

The FBI defines organized crime as any group having some manner of a formalized structure and whose primary objective is to obtain money through illegal activities. In other words, "show me the money." Although prohibition, extortion, and racketeering may once have provided the predominate source of income to organized crime, that does not appear to be the current trend. With the globalization of organized crime and the use of electronic money transfers, much has changed. Financial crimes certainly appear to be more profitable with much less risk and the additional benefit of lesser penalties for those caught committing such crimes.

Companies need to be aware of the risks—even in areas of the country with a smaller population base. The Insurance Fraud Prevention Division has investigated cases involving bogus death certificates, organized auto property claims, fake health care provider labs, and advanced commission schemes all with ties to organized crime. An active and alert special investigation unit should have the ability to monitor the current schemes and recognize the potential risks that a company may be exposed to in order to minimize the losses sustained by consumers. Prompt reporting by special investigators may help deter the ongoing criminal activity.

If you suspect insurance fraud, you are **required** to report it under Neb. Rev. Stat. § 44-393. Questions concerning insurance fraud may be directed to Fraud Division staff at DOI.FraudPrevention@nebraska.gov.

Court Actions

United States District Court - District of Minnesota, 0:15-MJ-00021

United States of America v. Irina Vorotinov and Alkon Vorotinov

Irina Vorotinov and her son, Alkon Vorotinov, were charged in United States District Court for defrauding a Nebraska life insurer. Mrs. Vorotinov received \$2,048,414.09 in life insurance proceeds as the result of a scheme alleging her husband, Igor Vorotinov, died while in Moldova. A body carrying Igor Vorotinov's identification was identified by Mrs. Vorotinov as being Igor. The body was subsequently cremated. The FBI received information that Igor Vorotinov was alive and well which led to an investigation and charges being filed.

United States District Court - District of Nebraska, 8:12-CR-00300

United States of America v. Thomas Schropp

Thomas R. Schropp was found guilty in federal court on several counts of mail fraud, wire fraud, and arson of a building used in interstate commerce. Mr. Schropp was sentenced to 190 months in jail, ordered to pay \$7,610,778.50 in restitution, a \$600 special assessment, and 150 hours of community service.

Custer County Court, CR15-70

State v. Bradley D. Gestwite

Bradley Gestwite was charged with one felony count of insurance fraud after claiming damage to an all-terrain vehicle that was pre-existing. Mr. Gestwite pled no contest to the amended charge of theft by unlawful taking, a Class II misdemeanor, and was fined \$500 plus court costs.

Dixon County Court, CR14-159

State v. Scott A. Heaton

Scott Heaton, a licensed insurance agent, managed an insurance agency in Dixon County, Nebraska. Mr. Heaton was charged with nine felony counts of insurance fraud relating to diverting premiums and issuing bogus certificates of insurance. These charges were subsequently amended to six Class I misdemeanor counts in which Mr. Heaton was found guilty. On March 12, 2015, the Honorable Matthew C. Samuelson sentenced Mr. Heaton to five years' probation, a \$250 fine for each count, the IFPD's investigative costs of \$3,929.21, the cost of prosecution of \$1,500, and he must complete 100 hours of community service. Mr. Heaton had previously reimbursed the agency for funds that were diverted.

Douglas County District Court, CR13-239

State v. Mohammd A. Aljaddou

Mohammd Aljaddou pled no contest to two amended counts of attempting fraudulent insurance acts, Class IV felonies. Mr. Aljaddou was sentenced to 20 - 36 months in jail for count one and 20-48 months for count two, to be served consecutive. Mr. Aljaddou must also pay for the cost of prosecution.

Douglas County District Court, CR14-3565

State v. Michael P. Holcomb

Insurance Agent Michael Holcomb was charged with two counts of forgery and two counts of insurance fraud. Mr. Holcomb was accepted into a pretrial diversion program.

Court Cases (cont.)

Douglas County District Court, CR15-346

State v. Justin L. Devers

Justin Devers pled no contest to the amended charge of an attempted insurance fraud, a Class I misdemeanor, after submitting a fraudulent auto property damage claim to his insurance company. Mr. Devers was ordered to pay \$1,170 restitution to the IFPD for investigative costs and court costs.

Hall County District Court, CR14-528

State v. Kenneth S. Kress

Kenneth Kress was accused of submitting a fraudulent document pursuant to his auto property damage claim. Mr. Kress pled no contest to the amended charges of theft by deception, a Class I misdemeanor, and a fraudulent insurance act, a Class IV felony. Mr. Kress was sentenced to 24 months' probation and must pay restitution and court costs.

Holt County District Court, CR14-55

State v. Caleb A. Dickau

Caleb Dickau was sentenced on February 9, 2015, after being found guilty of a Class III felony count of insurance fraud. Mr. Dickau was accused of submitting a claim for prior vehicle damage. District Judge Mark Kozisek sentenced Mr. Dickau to 90 days in the Holt County jail, three years' probation, a \$500 fine, and additional costs including probation fees, the IFPD's investigative costs, and court costs.

Lancaster County Court, CR14-13665

State v. Brandon M. Forke

Brandon Forke's 2007 Pontiac was struck while parked in a private lot in Lincoln, Nebraska. Mr. Forke contacted the responsible party and was compensated \$1,827.34 for damages to his vehicle. Mr. Forke then submitted a claim to his insurance company reporting he was unable to contact the party responsible for damaging his vehicle. Mr. Forke's felony charge of insurance fraud was amended to a Class I misdemeanor. He pled no contest and was fined \$750 plus court costs.

Lancaster County Court, CR15-1252

State v. Rasheed M. Badeer

After being charged with a felony count of insurance fraud, Rasheed Badeer was accepted into a Community Corrections Diversion Program and the felony insurance fraud charge was dismissed.

Lincoln County District Court, CR14-383

State v. Leroy F. Gray, Jr.

An alert claims handler noted discrepancies in information Leroy Gray provided pursuant to his auto property damage claim. Investigation by the IFPD revealed Mr. Gray bound comprehensive coverage after damaging his 2004 Ford Mustang. The insurance company's potential loss totaled \$4,228.41. Mr. Gray was found guilty of an attempted insurance fraud, a Class IV felony, and sentenced to 180 days in jail and prosecution costs.

Nance County Court, CR15-9

State v. Anthony M. Steensnes

On September 2, 2014, Anthony Steensnes was involved in a motor vehicle accident. Sometime after the collision Mr. Steensnes bound auto insurance and then claimed the accident occurred after coverage was in place. On February 23, 2015, Mr. Steensnes was found guilty of one count of insurance fraud and ordered to pay a \$1,000 fine, court costs, \$1,900 in restitution, and the IFPD's investigative costs of \$538.69.

MARKET CONDUCT DIVISION

Staff Updates

Jonathon Bartholomew has joined the Market Conduct Division as an Insurance Examiner. Jonathon was an insurance investigator with the Department's Consumer Affairs Division prior to transferring to the Market Conduct Division. He is a graduate of the University of Nebraska-Lincoln majoring in Finance.

Kevin Schlautman has left the Market Conduct Division to assume the position of Administrator of the Producer Licensing Division.

EXAMINATION DIVISION

Pre-Need Examinations Completed During Second Quarter, 2015

Blase-Strauser Memorial Chapel, Inc.
Fox Funeral Home, Inc.
Heafey, Heafey, Hoffman, Dwork, Cutler, Inc.
Hitchcock Funeral Home, Inc.
Hoch Funeral Homes, Inc.
Kroll, Inc., dba Hebron Memorial Funeral Home
Levander & Son Partnership dba Dolce-Scheef Mortuary
Mohr Funeral Home, Inc.
Pelan Funeral Services, Inc.
Preferred Morticians, Inc.
Ramaekers & Sharman, Inc. dba Gass Haney Funeral Home
Rozanek Funeral Homes, Inc., dba Wadlow-Rozanek Colonial Chapel

Financial Examinations Completed During Second Quarter, 2015

Assurity Life Insurance Company
Chicago Title Insurance Company
Columbia National Insurance Company
Commonwealth Land Title Insurance Company
Lincoln Benefit Life Company
Radnor Specialty Insurance Company
Surety Life Insurance Company
Woodmen of the World Life Insurance Society

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. Copies can be obtained from the Department at a cost of \$.50 per page.

