

INSURANCE

Pete Ricketts

Governor

Bruce R. Ramge

Director

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A Message from the Director...



Bruce R. Ramge

Surplus Lines Insurance Act Amended with Passage of LB 837

LB 837, which was approved by Governor Ricketts on April 7, 2016, amended the Surplus Lines Insurance Act. The amendments include changes to filing dates and the tax rate for multistate filings which were defined in company bulletin, CB-137, dated December 19, 2016. On January 1, 2017, the following changes became effective:

Quarterly Filing Dates

- March 1 for fourth quarter
- June 1 for first quarter
- September 1 for second quarter
- December 1 for third quarter

Tax Rate for Multistate Filings

- The tax rate for risks both inside and outside of Nebraska will now be a flat 3% on behalf of an insured whose home state is Nebraska. This change eliminates the need for licensees to calculate premiums and tax based on location of risk. The tax only applies to premiums for insurance that covers properties, risk, or exposures located or to be performed in the United States.
- The tax rate to be used will be the rate effective on the date premium was charged, which is either the date of coverage or the policy anniversary date.

The Department has also made an unrelated change to the handling of refunds due. In an effort to increase efficiency and reduce handling costs, any net refund due to the filer that is less than \$25 will be carried forward as a credit to the next quarter filing and no refund check will be issued unless specifically requested by the licensee.

A surplus lines FAQ has been posted to the Department's website at doi.nebraska.gov/producers/surplus-lines-information.

PRODUCER LICENSING DIVISION

Agency License Renewal Process

Agency licenses will expire on April 30, 2017. Renewal notices will be mailed giving the option of either renewing the agency license online at www.nipr.com or by mailing the agency renewal notice and a check for the appropriate fees made payable to the Nebraska Department of Insurance. All agency renewals must be completed by April 30, 2017.

Agency licenses will expire on April 30, 2017.

Agency Change of Address

An agency address change can be updated by sending in the new information with the renewal notice or by sending an email to doi.licensing@nebraska.gov. Please note that all licensed producers who work for an agency are required to update their business addresses separately at www.nipr.com.

All licensed producers who work for an agency are required to update their business addresses separately at www.nipr.com

Appointment Black-Out Period

The “black-out” period for Nebraska appointments will be April 17, 2017 through April 30, 2017.

The “black-out” period for Nebraska appointments will be April 17 through April 30, 2017, during which time no appointments will be allowed to be submitted.

During this time, no appointments will be allowed to be submitted. Terminations may continue to be submitted during this time. During the blackout period, NIPR will receive and hold for processing any new appointments. The effective date **will not** be honored. Instead, May 1, 2017 will be the new effective date. Please note that in Nebraska, the appointing insurer has 15 days from the date the agency contract is executed or the first insurance application is submitted to appoint the agent.

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

Licensing Exam Fee Reimbursement for Veterans

United States veterans are now able to get reimbursed for their licensing exam fees. In order to apply for reimbursement, a “Veterans Application for Reimbursement of Licensing or Certification Test Fees” form must be completed and submitted to the Regional Veterans Affairs Office listed on the form.

United States veterans are now able to get reimbursed for their licensing exam fees.

The form is available on the Department of Insurance website at doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/va-form_22-0803.pdf.

LEGAL DIVISION

Medical Malpractice Surcharge Set for 2017

A hearing was held before the Director of Insurance on October 12, 2016, as required by Neb. Rev. Stat. § 44-2830, to consider adjusting the amount of surcharge for 2017. On the basis of the public hearing giving due regard to the size of the existing 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 2017, effective January 1, 2017, at twenty-six percent (26%) for all health care providers.

Federal Regulation Regarding Excepted Benefits; Lifetime and Annual Limits; and Short-Term, Limited Duration Insurance

On November 7, 2016, a notice was issued by Director Ramage to all companies writing health insurance in Nebraska regarding the final rule released by the federal government on October 28, 2016, for excepted benefits; lifetime and annual limits; and short-term, limited duration insurance. For policies with an effective date of January 1, 2017 or later, these short-term, limited duration medical plans are now required to prominently display in their contract and application materials the following warning: ***"This is not qualifying health coverage (minimum essential coverage) that satisfies the health coverage requirement of the Affordable Care Act. If you don't have minimum essential coverage, you may owe an additional payment with your taxes."***

Carriers that sell this coverage should review the federal regulations and refile or amend the policies as needed to comply with the federal regulations. A full copy of the notice is at doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/Short-TermLimitedDurationPlans.pdf.

Regulation Updates

Amended Regulation

TITLE 210 NEB. ADMIN. R. & REGS. 39—COORDINATION OF BENEFITS REGULATION

Chapter 39 was amended and filed with the Secretary of State for adoption on November 4, 2016, with an effective date of November 9, 2016. The amendments to Chapter 39 reflect the changes to the National Association of Insurance Commissioners' Coordination of Benefits Model Regulation and also reflect recent statutory changes. A full copy of Chapter 39 is on the Department of Insurance website at doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/CH39-Final.pdf.

Company Bulletins

CB-38 (Amended)—SCHEDULE OF FEES

CB-38 (Amended) was issued to update the current schedule of fees charged by the Department of Insurance. The revised fee schedule includes the reduction in fees charged for insurance producer and consultant licenses. A copy of CB-38 (Amended) can be found on the Department's website at doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/CB38%28Amended%29Jan17_2.pdf.

Company Bulletins (cont.)

CB-132 (Amended)—HOSPITAL INDEMNITY OR OTHER FIXED INDEMNITY POLICIES

CB-132 (Amended) was issued on November 29, 2016 for the purpose of providing guidance for the Department's implementation and enforcement of the recently released rules and guidance from the federal government regarding hospital indemnity or other fixed indemnity policies. CB-132 (Amended) can be found at doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/CB132%28Amended%29_1.pdf.

CB-137—SURPLUS LINES INSURANCE ACT AMENDMENTS INCLUDE CHANGES TO FILING DATES AND THE TAX RATE FOR MULTISTATE FILINGS

CB-137 was issued on December 19, 2016 for the purpose of providing information regarding the changes to the Surplus Lines Insurance Act following the passage of LB 837. The amended act includes changes to the filing dates and the tax rate for multistate filings, and became effective on January 1, 2017. Visit doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/CB137_2.pdf for a copy of CB-137.

Case Summaries

Hanson v. McCawley, unpublished opinion from the Nebraska Court of Appeals, December 6, 2016

This unpublished opinion from the Nebraska Court of Appeals, meaning the case may not be cited by other courts or tribunals, provides an interesting fact pattern and application of an insurance producer's duties to procure insurance and to explain policy terms and policy ambiguity. The plaintiff in the case is appealing the decision to the Nebraska Supreme Court.

John Hanson was a client of Silverstone Group and Pam McCawley, an employee of Silverstone. In 2001 or 2002, Hanson purchased a house and asked McCawley to obtain homeowner's insurance for the residence. McCawley obtained homeowner's insurance first from Chubb then from Travelers. While insured with Travelers, Hanson filed two water damage claims with the insurer and Travelers paid. At some point in 2007 or 2008, the policy lapsed for nonpayment of premium.

In 2007, Hanson moved from the residence and the house became vacant. Hanson and McCawley discussed the need to purchase insurance on the vacant house with the understanding the risks would be different. Because of the vacancy, prior loss history, prior lapse of coverage, and Hanson's history of nonpayment, McCawley found it difficult to place coverage. Eventually, McCawley was able to secure a named peril policy from Lloyd's, the only coverage available. Loss due to water damage was not one of the included perils.

In October 2008, Hanson discovered damage from an overflowing toilet, filed a claim and was denied. In February 2010, Hanson commenced this litigation. The District Court found in favor of McCawley and Hanson appealed.

First, the Court of Appeals disposed of the argument that McCawley breached her duty to procure insurance for Hanson. An insurance producer who agrees to obtain insurance for another but negligently fails to do so is liable for the damage proximately caused by such negligence. The measure of damages is the amount that would have been due under the policy had it been obtained. However, the insured also has a duty to inform the producer as to the desired insurance.

Hanson was aware that his risks had changed and would require different coverage. He requested the best coverage available, and did not request of McCawley to place a specific type of coverage, and she placed the coverage Hanson requested. As a result, the court held that McCawley did not breach her duty to procure insurance for Hanson.

Second, the Court addressed Hanson's argument that McCawley violated a duty to explain policy terms and policy ambiguity. An insurance producer has a legal duty to explain policy terms, but certain circumstances are required to trigger that duty. One of the triggering circumstances is when a producer knows that a provision of the policy has previously been invoked and it has been changed.

In the underlying case, McCawley did not explain the differences between the previous policies and the Lloyd's policy, despite her knowledge of two previous water claims and the lack of water damage coverage in the Lloyd's policy. In fact, McCawley stated to Hanson that there was no change in coverage. However, the court states that if a policy's terms are unambiguous, an insured cannot rely on an interpretation that is patently absurd if the insured fails to read the policy. The court examines the Lloyd's policy and determines the terms are not ambiguous.

As a result, though McCawley breached her duty to explain, she is insulated from liability because the policy provisions are clear and unambiguous. The Court of Appeals upholds the ruling of the District Court.

Millard Gutter Co. v. Farm Bureau Prop. & Cas. Ins. Co., 295 Neb. 419, ___ N.W.2nd ___ (December 30, 2016)

The nature of this case involves the validity of a postloss assignment of a claim under a homeowner's insurance policy. Farm Bureau issued a homeowner's policy to the insured which contained a nonassignment clause that stated all rights and duties under the policy may not be assigned without the insurers consent, and that no change of interest in the policy is effective unless the insurer consents in writing.

A storm damaged the insured's home and he made a claim under the homeowner's policy. Millard Gutter was retained to repair the roof by the insured. Farm Bureau believed the roof could be repaired by replacing two slopes at a cost of \$3,022.43. Millard Gutter determined that the entire roof needed to be replaced at a cost of \$8,854.35.

Ultimately, Millard Gutter replaced the entire roof and the insured assigned to Millard Gutter "any and all claims or moneys due or to become due" under the insured homeowner's policy. Farm Bureau did not provide consent to the assignment. Farm Bureau received a copy of the assignment and paid \$3,022.43 directly to Millard Gutter which, in turn, sued Farm Bureau for the additional \$5,252.66 Millard Gutter alleged it was due under the insured homeowner's policy.

The county court, which was affirmed by the district court, found in favor of Millard Gutter. Farm Bureau appealed and the Nebraska Supreme Court bypassed the Court of Appeals and took the case. Farm Bureau argued before the Supreme Court that Millard Gutter did not have an interest in the policy and lacks standing to sue because Farm Bureau did not consent to the assignment and thus no change of interest in the policy was effective.

Despite the nonassignment clause in the policy, the Court determined the assignment was valid. In doing so, the Court began its analysis stating the three most prevalent theories in upholding an assignment despite a nonassignment clause:

1. The parties did not intend the nonassignment provision to apply to rights to receive payments, but only to the duties under the personal contract;
2. The reason for the prohibition ceased because the insurer's risks and liabilities under the contract became fixed when the insured event occurred;
3. The public policy supported free alienability of a chose in action.

In the analysis of the Nebraska nonassignment jurisprudence, the Court found a fire insurance case over a century old (*Star Union Lumber Co. v. Finney*, 35 Neb. 214, 52 N.W. 1113 (1892)) where it held the nonassignment clause did not apply after a loss has occurred. It also discussed and distinguished a more recent case, *OB-GYN v. Blue Cross*, 219 Neb. 199, 361 N.W.2d 550 (1984), where a health care insurance nonassignment clause on amounts payable was upheld. In *OB-GYN*, the claim was assigned to an out-of-network health care provider.

The court also reviewed jurisprudence of other states, finding that the majority of courts have found that clauses prohibiting assignments do not prevent an assignment after the loss has occurred.

Finally, the court weighed the public policy of freedom of contract versus the free assignment of a chose in action. The court noted that despite its previous action of upholding postloss assignments despite a nonassignment clause, the Legislature has not passed a statute on the enforceability of the nonassignment clause.

The court also distinguished *OB-GYN v. Blue Cross*, where it upheld the nonassignment clause on amounts payable in health care insurance. In *OB-GYN*, evidence established that the nonassignment clause was a powerful tool of the insurer to persuade health care providers to become in-network to keep health care costs down by agreeing to set fees for services, benefiting the subscriber.

Farm Bureau was unable to establish any similar public policy benefits for its nonassignment clause in the homeowner policy. Instead, Millard Gutter was able to establish that postloss assignments are common practice. Furthermore, the homeowner's policy was not explicit in prohibiting postloss assignment. Overall, the insurer's arguments were not enough to outweigh the policy favoring free assignability of a chose in action.

The court concluded by stating the insurer is free to go to the Legislature and present their concerns, but that until a statute is passed to the contrary, a postloss assignment of a claim under a homeowner's policy is valid even if the policy states any assignment made without the insurer's consent would be invalid.

Actions Taken Against Companies

CAUSE NO.	ALLEGATION	DISPOSITION
C-2248 Pennsylvania Life Insurance Company (Pennsylvania)	Violated Title 210 Neb. Admin. Code § 61-008.02, Unfair claims settlement practices.	Consent Order \$35,000 fine 11/07/2016

Actions Taken Against Producers and Agencies

CAUSE NO.	ALLEGATION	DISPOSITION
A-2043 Nathan J. Silva Omaha, NE NPN - 9079708	Violated <u>Neb. Rev. Stat. §§ 44-1525(1)(a), 44-1525(8)(a)(i), 44-4059(1)(b), 44-4059(1)(g), 44-4059(1)(h), 44-4059(1)(j) and 44-361.</u> Unfair trade practices; violated any insurance law; committed an unfair trade practice; used fraudulent, coercive, or dishonest practices; forged another's name to insurance document; rebates.	Order Producer license revoked 10/27/2016
A-2045 Paul D. Garnett Beatrice, NE NPN – 896908	Violated <u>Neb. Rev. Stat. §§ 44-4059(1)(b), 44-4059(1)(h) and 44-4065(1).</u> Violated any insurance law; used fraudulent, coercive, or dishonest practices; failed to report administrative action taken in another state.	Consent Order \$750 fine 12/8/2016
A-2046 Brittany Ouellette Omaha, NE NPN – 17756373	Violated <u>Neb. Rev. Stat. §§ 44-4059(1)(b), 44-4059(1)(d), 44-4059(1)(h), 44-4054(8), and 44-1525(11).</u> Violated any insurance law; improperly withheld or misappropriated money or property; used fraudulent, coercive, or dishonest practices; failed to update address with department; failed to respond to Department.	Order Producer license suspended 12/21/2015
A-2047 Eugene Harold Wray III Council Bluffs, IA NPN - 7498947	Violated <u>Neb. Rev. Stat. §§ 44-4059(1)(a), 44-4059(1)(b), 44-4059(1)(f), 44-4059(1)(h), 44-4065(1), 44-4065(3) and 44-1525(11).</u> Provided incurred or misleading information on license application; violated any insurance law; convicted of a felony or misdemeanor; used fraudulent, coercive, or dishonest practices; failed to report FINRA administrative action; failed to report any criminal prosecution; failed to respond to Department.	Order Producer license revoked 11/21/2016
A-2048 Patrick Jason Mallory Omaha, NE NPN - 16170029	Violated <u>Neb. Rev. Stat. §§ 44-4059(1)(b), 44-4059(1)(h), 44-4054(8) and 44-1525(11).</u> Violated any insurance law; used fraudulent, coercive, or dishonest practices; failed to update address with Department; failed to respond to Department.	Consent Order \$100 fine; update address; respond to Department inquiry 12/14/2016
A-2049 Rodney A. Rozanek II Omaha, NE NPN - 3188849	Hearing requested for reconsideration of denial of application for resident producer license.	Order Denial upheld 11/23/2016

LIFE & HEALTH DIVISION

Staff Update

Tammy Klein has joined the division as an Insurance Analyst and will be primarily reviewing life and health form filings.

The division is pleased to announce the addition of **Tammy Klein** to the position of Insurance Analyst. Tammy started working in the insurance industry in 1983. Her broad experience includes working with annuities, disability and life insurance, as well as claims handling and working as an insurance agent. Along the way, she has obtained a General Insurance Certificate, Associate in Claims Certificate, Senior Law Claims Associate Certificate and her Disability Income Associate Certificate. Tammy will be primarily reviewing life and health form filings for the division.

Advertising Certificate of Compliance Annual Filing

The required annual certificate should be filed through SERFF prior to March 1 and should identify the calendar year of the filing and be dated and signed by a company officer.

Title 210 Chapter 14, Advertising of Accident and Sickness Insurance, 018.02, directs that an advertising certificate of compliance be filed with the Annual Statement by any insurer that is required to file an Annual Statement with the Department. This annual certificate should be filed through SERFF.

It has come to our attention that some companies are not using SERFF and others are not filing annually as required. The Advertising Certificate of Compliance should identify the calendar year of the filing, be dated and signed by a company officer, and submitted prior to March 1. File, through SERFF, under either "Life", "Other" (L08) or "Health", "Other" (H21) under the Supporting Documentation tab.

Interest Rate on Death Proceeds

The 2017 interest rate to be paid on death proceeds not paid within 30 days of receipt of proof of death is 2.498%.

The 2017 interest rate to be paid on death proceeds not paid within 30 days of receipt of proof of death is 2.498%. 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 court's link is at www.supremecourt.ne.gov/5017/judgment-interest-rate.

2016 Heartland Chapter President's Award

Congratulations to Maryana Grodnova-Ware, who has been chosen as the 2016 recipient of the Heartland Chapter President's award. She volunteers her time, skills and talent to help the Association of Insurance Compliance Professionals which has made her an outstanding asset to this organization. Ms. Grodnova-Ware has been with the Department for over seven years, and currently holds the position of actuarial assistant.

FINANCIAL EXAMINATION DIVISION

Department Hosts NAIC International Fellow from Saudi Arabia

The Department hosted Anas Alamoud from the Saudi Arabian Monetary Agency (Central Bank) during its participation in the International Fellows Program—a program developed by the National Association of Insurance Commissioners (NAIC) in 2005. Mr. Alamoud arrived in the United States on October 1, and participated in a week-long orientation at the NAIC offices in Kansas City, Missouri. Following his orientation, he traveled to Nebraska for five weeks of work in his specialized area, under the supervision of Darrin Riha, International Insurance Analyst, who served as his mentor and host while at the Department.

Mr. Alamoud is a supervisor for the on-site financial exams with the Saudi Arabian Monetary Agency in Riyadh, Saudi Arabia. He has a master degree in Business Administration concentrating in Finance from the University of Kansas. He has worked for the Saudi Arabian Monetary Agency since 2008.

Mr. Alamoud was our guest in October and November, 2016. His work in Nebraska focused on supervisory techniques for the examination and analysis process performed during the assessment of the financial condition of Nebraska's domestics. Department employees shared their experiences in areas including financial analysis, actuarial analysis, financial examinations, market conduct examinations, holding companies, state-based regulation, and international insurance regulation.

Mr. Alamoud also met with insurance company representatives to gain an industry perspective of the insurance market and regulatory compliance. Our sincere thanks goes out to Ameritas, Assurity, and Physicians Mutual for opening your doors and providing Mr. Alamoud the opportunity to learn more about your companies.

The International Fellows Program concluded in New York City with training at the NAIC Capital Markets Bureau and Securities Valuation Office, as well as a roundtable with United States insurance industry representatives and a ceremonial graduation dinner to highlight the International Fellows' accomplishments.

The Department greatly enjoyed its time with Mr. Alamoud and look forward to hosting International Fellows in the future.

Corporate Governance Annual Disclosure—New Filing Due June 1

In accordance with the Corporate Governance Annual Disclosure Act, Neb. Rev. Stat. §§ 44-9101 to 44-9109), all insurers domiciled in the state of Nebraska, or the insurance group of which the insurer is a member, are required to file a Corporate Governance Annual Disclosure (CGAD) no later than June 1 of each year. If the insurer is a member of an insurance group, the CGAD must be filed with the lead state. If the CGAD Model Law has not yet been adopted by the lead state, the filing should be submitted to Nebraska or the insurer should inform the Department to which state the filing will be submitted prior to June 1.

For guidance related to the CGAD, please refer to the Corporate Governance Annual Disclosure Act, Neb. Rev. Stat. §§ 44-9101 to 44-9109, and Chapter 88 of the Insurance Department Rules and Regulations found at doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/final-chp88.pdf.

Questions may be directed to Lindsay Crawford at lindsay.crawford@nebraska.gov or by phone at 402-471-4152.

Pre-Need Examinations Completed During 4th Quarter, 2016

Aspen Aftercare Cremation & Burial Service, Inc.
Bates-Gould Funeral Home
Brockhaus-Howser-Fillmer Funeral Home
Chamberlain-Pier Funeral Home
Lincoln Memorial Park Cemetery
Reichmuth Funeral Home
Reichmuth Funeral Home
Roper & Sons, Inc.
Stonacek Memorial Chapel
Unitarian Church of Lincoln
Williams Funeral Homes

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.

MARKET CONDUCT DIVISION

Market Conduct Examinations Completed During 2016

Assurity Life Insurance Company
Bankers Life and Casualty Company
Boone and Antelope Mutual Insurance Company
Columbia National Insurance Company
Continental Casualty Company
Delta Dental of Nebraska
Golden Rule Insurance Company
Grange Mutual Insurance Company of Custer County
Inland Insurance Company
Universal Surety Company

FRAUD DIVISION

New Investigator Joins Division

Luke Wilke joined the IFPD team on September 19, 2016, as an insurance fraud investigator. The IFPD welcomes his investigative expertise to our staff. Prior to joining the IFPD, Luke served 24 years with the Lincoln Police Department where he was assigned to the Central Investigations Team for 17 years, and retired with the rank of supervisory sergeant. Luke may be contacted at luke.wilke@nebraska.gov.

2016 Insurance Fraud Statistics

The Insurance Fraud Prevention Division (IFPD) received 659 case referrals regarding potential violations of the Nebraska Insurance Fraud Act during 2016.

Of the referrals received, 408 (62%) were submitted through the National Insurance Crime Bureau and 104 (16%) 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 **\$17.5 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 2016, the IFPD investigated the following types of insurance fraud cases:

- Property/Casualty: 493 Cases (75%)
- Life/Health: 109 Cases (16%)
- Agent or Internal Fraud: 54 Cases (8%)
- Other Fraud: 3 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.

2016 Cases Sent for Criminal Prosecution:	30 Cases / 20 Suspects
2016 Convictions:	18 Cases / 17 Suspects
2016 Restitution:	9 Cases / \$2,065,416.80

Cases referred to the IFPD for investigation had venue in 58 Nebraska counties, with Douglas, Lancaster, and Sarpy Counties accounting for 462 cases (70%).

ASIU Iowa-Nebraska Chapter - 2017 Training Seminar

The Iowa-Nebraska Chapter of the International Association of Special Investigation Units will hold its annual training seminar in Omaha at the Embassy Suites Downtown on April 3 - 5, 2017.

For additional information, visit the Chapter's website at www.ia-neiasiu.com/.



Annual Insurance Fraud Conference

Make plans to join the Insurance Fraud Prevention Division (IFPD) at our 2017 Annual Conference on August 2, 2017, to be held at Strategic Air and Space Museum. The IFPD is working diligently to develop a program that will prove beneficial to participants in their fraud fighting efforts. The IFPD is looking forward to having Joseph Wehrle, Jr., President and CEO of the National Insurance Crime Bureau, as a conference attendee.

The conference brochure and registration is tentatively scheduled to be emailed in late May. If you would like to receive a brochure, email your request to DOI.FraudPrevention@nebraska.gov—use the subject “Conference Brochure Request.” If you attended the 2016 conference, you will automatically receive an email and will not need to request the brochure.

The IFPD will also sponsor our Annual Conference for Law Enforcement on August 3. This continuing education program has greatly assisted the IFPD with educating law enforcement personnel about the problems associated with insurance fraud. Uniformed law enforcement officers are often on the “front line” in preventing insurance fraud.



“Insurers that embrace the right mix of tools, staffing, training and technologies will continue to experience reduced claim costs, more-accurate pricing, competitive edge and lower premiums for policyholders.”
Excerpt from “State of Insurance Fraud Technology” by the Coalition Against Insurance Fraud.

Fraud Cases

United States District Court - District of Minnesota, 15-CR-0054(1) (PJS/HB)

United States of America v. Irina Vorotinov and Alkon Vorotinov

Irina Vorotinov and her son, Alkon Vorotinov, were charged in US District Court for defrauding a Nebraska life insurance company. 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 Vorotinov. 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. In September 2016, Alkon Vorotinov was sentenced to three years’ probation, 300 hours of community service, and restitution after pleading to concealing of a felony. In November 2016, Irina Vorotinov was sentenced to 37 months in prison and restitution totaling \$2,056,554.09.

Dakota County District Court, CR16-120

State v. Nelida Collazo

Nelida Collazo was a licensed agent when she was charged in Dakota County with three felony counts of insurance fraud after allegedly pocketing client insurance premiums. Ms. Collazo pled guilty to one Class IV felony count of insurance fraud. Her sentence included 18 months’ probation, 30 hours of community service, and restitution in the amount of \$2,921. In addition, Ms. Collazo was ordered to pay the IFPD’s investigative costs totaling \$1,363.34.

Fraud Cases (cont.)

Douglas County Court, CR16-1304

State v. Dean L. Crase

Shortly after adding his 2004 Chevrolet Trailblazer to his policy, Dean Crase reported over \$3,000 damage resulting from a hit-and-run accident. During the claim process, an alert special investigator discovered Mr. Crase had reported similar damage approximately one-month prior to a different insurance company. After completing an investigation, the IFPD submitted the case to the Douglas County Attorney's Office. Mr. Crase subsequently pled guilty to an amended count of attempted insurance fraud, a Class I misdemeanor. Mr. Crase was sentenced to three days in jail and the costs of prosecution.

Douglas County Court, CR-16-7828

State v. Jeremy R. Wilson

Jeremy Wilson was charged in Douglas County for no proof of insurance and possessing a fraudulent insurance certificate. Mr. Wilson's sentence included three days in jail, restitution of \$500, and court costs.

Douglas County Court, CR16-9912

State v. Richard J. Coats

Richard Coats was charged with a Class I misdemeanor count of possessing a fake insurance certificate while operating a motor vehicle in Omaha, Nebraska. Mr. Coats was fined \$350 plus court costs.

Douglas County District Court, CR16-84

State V. Larell D. Marion

Larell Marion received pretrial diversion after being charged with a Class III felony count of insurance fraud. Mr. Marion submitted a claim to his insurance company for vehicle hail damage and subsequently received a \$2,655.83 claim settlement. Shortly after settling the claim, Mr. Marion purchased an auto policy from a second company and submitted a claim for the same vehicle damages reporting a different date of loss.

Douglas County District Court, CR16-1265

State v. Kevin A. Nauden, Sr.

Kevin Nauden was charged with one Class IV felony count of insurance fraud after it was shown he lowered his \$2,000 auto policy deductible to \$500 prior to reporting a loss. Mr. Nauden pled no contest to an amended Class I misdemeanor and was fined \$500 plus reimbursement of the Insurance Fraud Prevention Division's investigative costs.

Douglas County District Court, CR16-1507

State v. Jerome P. Bonnett, Jr.

On May 18, 2016, Jerome Bonnett was charged in Douglas County pursuant to an investigation conducted by the Insurance Fraud Prevention Division. Mr. Bonnett was charged with a Class IV felony count of insurance fraud and a Class III felony count of first degree forgery in a scheme that diverted client funds. Charges were dismissed after Mr. Bonnett committed suicide. It appears clients suffering financial losses, pursuant to the fraudulent activity, were named as beneficiaries for life insurance policies Mr. Bonnett had in place at the time of his death.

Lancaster County Court, CR16-3762

State v. Richard T. Brelsford

Richard Brelsford was charged in Lancaster County with one Class III felony count of insurance fraud after submitting a fraudulent \$1,717 invoice to his insurance company for stereo equipment that allegedly was stolen from his vehicle. Mr. Brelsford subsequently pled no contest to an amended Class I misdemeanor and was fined \$500 plus court costs.

Fraud Cases (cont.)

Sarpy County District Court, CR16-24

State v. Mina A. Metry

Mina Metry turned himself in on a warrant issued from Sarpy County for three felony counts of insurance fraud. Mr. Metry was accepted into a pretrial diversion program for the attempts to commit fraud and was ordered to pay restitution to the Insurance Fraud Prevention Division for their investigative costs. Mr. Metry submitted photographs, of a vehicle taken from the internet, and other fraudulent documents to his insurance company in support of his vehicle vandalism claims.

Madison County Court, CR16-257

State v. Yaima Lugo

Yaima Lugo was charged with a Class III felony count of insurance fraud for attempting to claim pre-existing hail damage to her 2005 Infiniti. Ms. Lugo was sentenced to 18 months' probation plus court costs.

Report Insurance Fraud

Contact any of the following Fraud Prevention Division staff members to report suspected insurance fraud:

Charles P. Starr, SCLA, CIFI, AHFI

Division Chief

charles.starr@nebraska.gov

Mark A. Wolfe, FCLA, CIFI

Fraud Investigator

mark.wolfe@nebraska.gov

Kimberly P. Church, SCLA, CIFI

Fraud Investigator

kimberly.church@nebraska.gov

Luke B. Wilke

Fraud Investigator

luke.wilke@nebraska.gov

Connie C. Drake

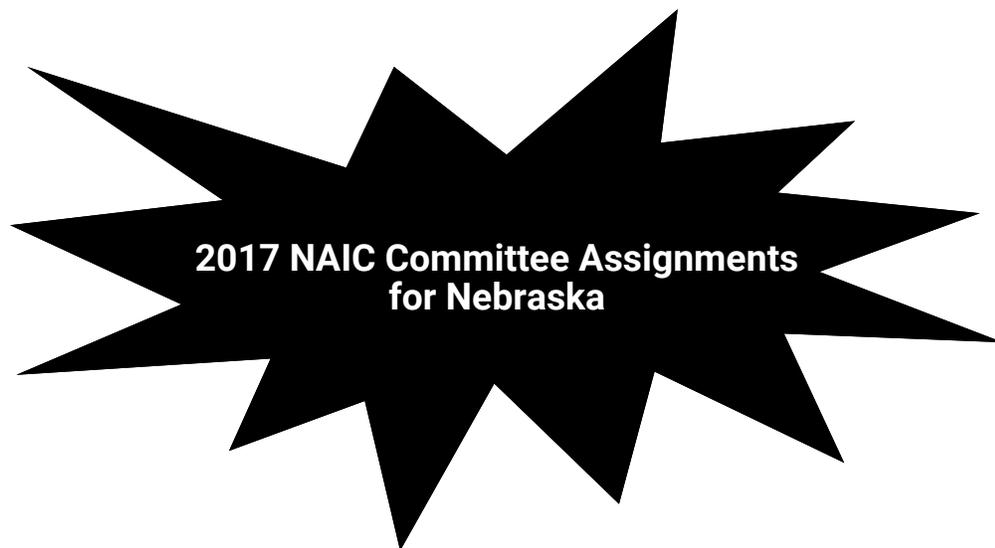
Administrative Assistant

connie.drake@nebraska.gov

Phone: (402) 471-2201

Fax: (402) 471-8335

Email: DOI.FraudPrevention@Nebraska.gov



**2017 NAIC Committee Assignments
for Nebraska**

- ☆ Member Cybersecurity (EX) Task Force
- ☆ Member Financial Stability (EX) Task Force
- ☆ Member International Insurance Relations (EX) Leadership Group
- ☆ Co-Chair Principal-Based Reserving Implementation (EX) Task Force
- ☆ Chair 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 Title Insurance (C) Task Force
- ☆ Member Antifraud (D) Task Force
- ☆ Member Accounting Practices and Procedures (E) Task Force
- ☆ Member Examination Oversight (E) Task Force
- ☆ Member Receivership and Insolvency (E) Task Force
- ☆ Vice-Chair Reinsurance (E) Task Force
- ☆ Member Valuation of Securities (E) Task Force
- ☆ Member Financial Regulation Standards & Accreditation (F) Committee
- ☆ Member International Insurance Relations (G) Committee
- ☆ Member NAIC/Consumer Liaison Committee
- ☆ Member NAIC/Industry Liaison Committee



Department Calendar

- Feb. 20:** Department Closed – President’s Day
- April 28:** Department Closed – Arbor Day
- May 29:** Department Closed – Memorial Day