



Insurance **Insights** newsletter

Spring 2013



ODI
Ohio Department
of Insurance



Lt. Governor / Director
Mary Taylor

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Taylor Announces Top Insurance Fraud and Enforcement Cases for 2012

Lieutenant Governor and Department of Insurance Director Mary Taylor announced the Department's top fraud and enforcement cases for 2012. During the calendar year, the Department processed 7,274 allegations of agent misconduct and insurance fraud, initiated 2,310 investigations, identified more than 700 civil and criminal violations of Ohio insurance law, took administrative action against 167 insurance agents and agencies, assessed \$134,900 in fines and referred 71 individuals for prosecution.

"The Ohio Department of insurance is aggressively fighting insurance fraud to protect consumers and our competitive insurance market," Taylor said. "We are working closely with law enforcement to bring offenders to justice while raising awareness about the consequences of committing this serious crime."

Taylor said Ohioans, prior to buying insurance products from an insurance agent or agency, should contact the Department at 1-800-686-1526 to ensure they are properly licensed. Consumers are also encouraged to call 1-800-686-1527 if they feel they have been deceived or suspect someone has committed insurance fraud. Information about how to prevent and report insurance fraud and professional misconduct is available at www.insurance.ohio.gov.

The Department's top statewide fraud and enforcement cases for 2012:

ENFORCEMENT

Annuities Agent Scams Several Clients – Mansfield, Ohio/Richland County/\$1.1 Million

The Department revoked the insurance license of Willard Lee in June 2012 after an investigation revealed Lee misappropriated approximately \$1.1 million from several clients by withdrawing money from their annuities.

Agent Fails to Timely Pay Claims – Newton Falls, Ohio/Trumbull County/\$50,000

Agent Pamela Priddy was assessed a \$35,000 civil penalty and a \$15,000 administrative fee in May 2012 after a Department investigation determined Priddy, owner of two third-party-administrator companies, failed to timely pay clients' claims and withheld administrative charges from claim funds.

Agent Keeps Client's Annuity Investment – Lowell, Ohio/Washington County/\$30,000

The Department revoked the insurance license of Lloyd Carr in December 2012 after an investigation revealed Carr failed to submit a client's annuity application and investment to the insurer. Carr instead provided the consumer with a fabricated annuity policy, and deposited the consumer's \$30,000 check into his own bank account.

Unlicensed Person Solicits Life Insurance to Church Members – Lima, Ohio/Allen County

The Department issued a cease and desist order to Indiana insurance agent James Beatty in June 2012 after a Department investigation confirmed Beatty solicited members of a small church in Western Ohio to purchase life insurance policies. He was not licensed to sell, solicit or negotiate insurance in Ohio.



Top Insurance Fraud and Enforcement Cases for 2012... Cont'd.

Agent Deceives Clients for Commissions – Portsmouth, Ohio/Scioto County

The Department revoked the insurance license of Allen Bell in March 2012 after a Department investigation found Bell forged signatures of six Ohio clients and submitted altered insurance applications for two Ohio clients to secretly earn sales commissions.

FRAUD

Title Agent Sentenced in Scheme – Copley, Ohio/Summit County/\$1 Million

In September 2012, a federal judge assigned to the US District Court of Northern Ohio ordered former title insurance agent Steven Connolly to serve five years in federal prison, three years of post-release control and pay \$1 million in restitution. A joint Department and FBI investigation determined Connolly diverted funds from property transactions to his personal bank account.

Agent Misappropriates Clients' Funds – Powell, Ohio/Franklin County/\$41,000

Former insurance agent Michael Cox was ordered by a Franklin County Common Pleas Court judge in April 2012 to serve three years in prison (increasable up to eight years if the terms of his sentence are not met) and pay restitution after an investigation by the Department and Department of Commerce identified wrongdoing. Cox misappropriated \$41,000 in auto and homeowners premiums from clients and used the funds for personal use.

Agent Diverts Life Insurance Benefits – Marysville, Ohio/Union County/\$34,000

Former insurance agent Paul Yocum pled guilty in January 2012 to one count of grand theft after a Department investigation revealed Yocum diverted life insurance benefits from a client for his own personal use. In February 2012, Yocum was ordered by a Union County Common Pleas Court judge to serve 10 days in jail and complete three years of community control.

Man Sentenced for Arson – Grove City/Franklin County/\$8,000

A Franklin County Common Pleas Court judge ordered Michael Boyd, in May 2012, to serve four years in prison and pay \$8,000 in restitution after Boyd pled guilty to aggravated arson. A joint investigation by the Department and Grove City Police revealed Boyd paid someone to set his home ablaze in order to collect the insurance proceeds.

Woman Submits False Invoice to Insurer – Sandusky, Ohio/Erie County/\$3,000

In November 2012, an Erie County Common Pleas Court judge ordered Charlene McCormick to serve 90 days in jail, five years community control and pay \$3,000 in restitution after McCormick pled guilty to insurance fraud. The conviction was the result of a Department investigation that found McCormick submitted a false invoice to her insurer to make it appear she paid for alleged storm damage to her property.

The Ohio Department of Insurance fraud unit investigates allegations of insurance fraud, such as the submission of false or inflated claims, and works with prosecutors to criminally prosecute those who commit fraud. The enforcement unit investigates allegations of unlicensed insurance activity as well as agent/agency misconduct.





Taylor Urges Renters to Carefully Evaluate Need for Renters Insurance

Renters finding new places to live or resigning leases this spring and summer should not discount the importance of renters insurance, Ohio Lieutenant Governor and Insurance Director Mary Taylor said.

“Many renters are unaware their landlord is not responsible for protecting their belongings,” Taylor said. “Renters should carefully evaluate their insurance needs and contact the Department or a licensed agent with specific questions.”

Renters insurance covers personal property, such as clothing and electronics, provides certain liability protection and can include other protections up to a dollar limit generally payable as a monthly premium or lump sum annual premium payment. The average renters insurance policy can cost between \$15 and \$30 per month. Yet many Ohioans do not have renters insurance. A 2011 Insurance Information Institute poll found that only 29 percent of renters had renters insurance.

Most landlords have insurance to financially protect them against structural damage to their property. However, this protection does not extend to a renters personal property.

Taylor advises renters to work with an insurance agent to determine the appropriate level of protection, to ask them for available discounts, and once coverage is secured, to conduct a home inventory complete with photos and video to expedite the insurance company’s handling of a potential claim. The insurance agent can also assist the renter in determining the need for and the additional cost of insuring for the perils of flood and earthquake, which are typically not covered in a renters policy.

To download a free home inventory checklist visit www.insurance.ohio.gov. The National Association of Insurance Commissioner’s (NAIC) iPhone and Android compatible myHOME Scr.APP.book app is also a useful home inventory tool.

For a list of licensed insurance agents in Ohio, and to ask questions and for information about renters insurance, Ohioans should visit the Department’s website and call the consumer hotline at 1-800-686-1526.





Taylor Testifies Before Congress on the Affordable Care Act

Lieutenant Governor and Department of Insurance Director Mary Taylor testified before a Congressional committee on April 3, 2013 about Ohio's experience working with the Department of Health and Human Services (HHS) and its federally-funded high risk pools created under the Affordable Care Act (ACA). Taylor also expressed her concerns with the ACA and its impacts on Ohio heading into 2014.

Taylor said the concept of high risk pools (programs designed to help consumers with pre-existing conditions unable to obtain private insurance) have benefits, but issues with this ACA program caused regulatory disputes between HHS and the Department of Insurance as well as funding concerns dating back to 2011. Earlier this year, HHS announced it no longer had the funding necessary to continue operating high risk pools across the country.

"Based on the experiences we had with the federal government overseeing the high risk pool, we fear similar problems will arise as the ACA is fully implemented," Taylor said before the U.S. House of Representatives Health Subcommittee of the Energy and Commerce Committee.

Members of the U.S. House of Representatives have requested additional funding for the high risk pool program. HHS initially calculated that the program would remain solvent until health insurance exchanges become operational Jan. 1, 2014.

Taylor also cited a Department commissioned report conducted by Milliman, Inc. that projects other impacts Ohio will face as the ACA is implemented. The report anticipates average premiums would increase in the individual market in Ohio between 55 percent and 85 percent, and some small businesses could see premium increases of up to 150 percent while others could see decreases of up to 40 percent.

"I am concerned with the lack of flexibility Ohio will have moving forward," Taylor said. "As we continue our work in Ohio to bring down health care costs and improve the quality of care, we will face significant challenges."

Taylor encouraged members of Congress to continue working toward a better solution to improve the health care system including more flexibility for states. In the meantime, she said the Kasich administration would continue to focus on reforms being pursued in Ohio to improve the quality of care while lowering costs.

The testimony submitted by Taylor can be accessed by clicking on the following link: www.insurance.ohio.gov/Newsroom/Documents/CongressionalTestimonyonHighRiskPools.pdf.





Consumer Protection Tips:

Become Informed:

- Utilize the Department's free and new auto, homeowners, health, life, long-term care insurance and Medicare consumer guides, other publications, toolkits, and tip sheets at www.insurance.ohio.gov.
- Follow the Department on Facebook at www.facebook.com/OhioDepartmentofInsurance and its Ohio Senior Health Insurance Information Program at www.facebook.com/OSHIIIP to stay connected on the latest insurance information.

Utilize Trusted Resources:

- Call the Department's consumer hotline at 1-800-686-1526 for free and unbiased help. Also visit the agency's website to determine if the person selling you insurance is licensed.
- Tap into your agent's knowledge base and talk with close family members and friends.

File a Complaint:

- You can file a complaint at www.insurance.ohio.gov or initiate the process by calling 1-800-686-1526.

Identify Fraud, Report It:

- If you're an insurance consumer and feel you've been scammed, call the Department's fraud hotline at 1-800-686-1578.
- If you're an insurance or health care professional who knows of someone committing professional misconduct, call 800-686-1578.
- If you're aware someone has committed insurance fraud, such as falsifying or padding a claim, call 1-800-686-1578.

Shop Around:

- Find an agent in your community with the Department's agent locator tool at www.insurance.ohio.gov.

- Ensure you have adequate insurance protection, inquire about discounts and don't be rushed into making a purchase.

Prepare for Spring Severe Weather Season

Advance Insurance Planning Tips:

- Be sure you have adequate insurance coverage and deductibles that are reasonable for your needs.
- Damage caused by rain, hail, lightning and tornado are generally covered by a standard homeowners insurance policy and an auto insurance policy's "comprehensive" or "other than collision" coverage.
- Call your agent or the National Flood Insurance Program (NFIP) at 1-888-379-9531 and visit www.floodsmart.gov to learn more about flood insurance.
- Download the National Association of Insurance Commissioners (NAIC) home inventory app from iTunes or GooglePlay. A paper version is available at www.insurance.ohio.gov. Include as many details as you need and take photos of your possessions.

Post Storm Recovery and Insurance Tips:

- Call your insurance agent or company as soon as you can. Be sure your agent knows how to contact you, especially if you have to move out of your home.
- Take reasonable steps to prevent additional damage if permitted by public safety authorities and if you will not endanger yourself.





Prepare for Spring... Cont'd

- Closely inspect your property and cars for damage. Note and photograph any damage.
- If required to seek temporary housing, check your homeowner's insurance policy for "loss of use" coverage.
- Be sure everything is considered in your claim. Back up claims with written estimates.

How to Avoid Contractor Fraud:

- Obtain a list of reputable contractors from your insurance company, the Better Business Bureau or a specialized consumer organization.
- Contact multiple contractors and obtain more than one estimate.
- Do not allow a contractor to inspect your property when you are not home.
- If you give a contractor permission to inspect your property, personally watch them conduct the inspection.
- Obtain, in writing, the terms and conditions of the project.
- Avoid signing a contract until the document is reviewed fully and/or discuss the terms of the contract with a legal representative or a trusted adviser.
- Pay the contractor by check or credit card, rather than in cash, and do not pay in full until all work has been finished.

Ohioans can visit the Department's Severe Weather Awareness Toolkit at www.insurance.ohio.gov/Consumer/Pages/SevereWeatherToolkit.aspx and call 1-800-686-1526 with insurance questions. Those who have been victimized by contractor fraud should contact the Department's fraud hotline at 1-800-686-1527.

Welcome to Medicare Events:

- Here is a list of "Welcome to Medicare" events, which start at 6 p.m.:
- Washington Co. • Marietta • May 7
Area Agency on Aging 8; 1400 Pike St.
- Ashland Co. • Ashland • May 13
Samaritan on Main; 663 E. Main St.; RSVP to 419-207-2563
- Muskingum Co. • Zanesville • May 14
Muskingum Co. Center for Seniors; 200 Sunrise Cntr.; RSVP to 740-454-9761
- Van Wert Co. • Van Wert • May 16
Van Wert Council on Aging; 220 Fox Rd.
- Tuscarawas Co. • Dover • May 21
Tuscarawas Sr. Center; 425 Prospect St.
- Franklin Co. • Columbus • May 22
OSU Fawcett Center; 2400 Olentangy River Rd.
- Fairfield Co. • Lancaster • May 28
Fairfield Medical Center; 401 Ewing St.
- Montgomery Co. • Dayton • May 30
Dayton Jewish Community Center; 525 Versailles Dr.
- Ross Co. • Chillicothe • May 30
Adena Medical PACCAR Center; 446 Hospital Rd.

For more information about these events and Medicare, call Ohio Senior Health Insurance Information Program (OSHIIP) at 1-800-686-1578 and visit www.insurance.ohio.gov. You can follow OSHIIP on Facebook at www.facebook.com/OSHIIP.

