

Insurance and Safety Fire Report



Office Of Commissioner of Insurance * John W. Oxendine, Commissioner

CRIMINAL INVESTIGATION ORDERED INTO BUSINESS PRACTICES OF SEUS CEO FAIN

Insurance Commissioner John Oxendine has directed his Insurance Fraud Unit to begin a criminal investigation into the business practices of former Chief Executive Officer of Southeastern U.S. Insurance, Inc. (SEUS) M. Clark Fain, III.

The investigation follows an October 2009 order signed by Fulton County Superior Court Judge Thomas R. Campbell, Jr., ordering SEUS into liquidation and naming Oxendine as the liquidator.

"After reviewing financial transactions made by the company, I find no other recourse but to open a criminal investigation into the actions of Mr. Fain," Oxendine said. "I can only compare the bookkeeping methods of the company to those of Enron."

Department analysts became suspicious of SEUS when they learned that the company had engaged in a questionable transaction regarding a hunting club that it owned in Seminole County. At Oxendine's insistence, SEUS unwound the transaction. However, the department also discovered that the company was overstating assets while significantly understating liabilities.

"Indications are that this is a case of corporate greed," Oxendine said. "The questionable accounting engaged in by the company ultimately has a huge negative impact on the lives of decent, innocent citizens."

Under the consent order of liquidation, Oxendine's office took over the operation of the workers compensation insurer and is authorized to sell off its assets to pay claims. The order also banned further business by the company.

SEUS had approximately 209 workers compensation policyholders at the time of the liquidation. The company was first licensed in November 2001 as a captive insurer.

Anyone who has more information concerning this case can contact Commissioner Oxendine's Insurance Fraud Division 1-800-656-2298.



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TITLE INSURER VIOLATES INSURANCE CODE 600,000 TIMES

Insurance Commissioner John W. Oxendine has charged a title insurance company with violating Georgia's insurance laws more than 600,000 times, including overcharging for its products.

Oxendine issued an order for a show-cause hearing on December 7, for Stewart Title Guaranty Company demanding that the insurer explain why it allowed its closing attorney-agents to charge consumers arbitrary premiums, overcharge consumers, and keep money they were not entitled to.

Discrepancies were found during an examination ordered by Commissioner Oxendine of title insurance sales made by Stewart during real estate closings between Jan. 1, 2003 and Sept. 30, 2007.

The company must also answer questions about unpaid state taxes and violations of a previous order by Commissioner Oxendine.

"Agents of this company have apparently been allowed to charge whatever rates they choose for title insurance," Oxendine said. "The insuring public ends up paying premiums that are different from, and typically more than, the premiums filed by the company."

Oxendine said the leeway the company gives its agents when charging for policies makes it impossible for consumers to catch any overcharges or even compare the company's rates with its competition. This is compounded by inconsistencies and misrepresentations by the company regarding the actual cost of a particular title policy.

The hearing is scheduled for 10 a.m. on Tuesday, February 23, 2010, in the Commissioner's office.



LIFE COMPANY ORDERED TO OFFER REFUNDS TO MILITARY

American Fidelity Life Insurance Company has agreed to a settlement payment for all Georgia policyholders.

Soldiers who purchased policies from American Fidelity will be eligible for refunds of \$275, Oxendine said, on policies written from Sept. 1, 2004 and Oct. 2009.

"We estimate 962 soldiers will receive the payment," Insurance Commissioner John Oxendine said.

The refund is the result of a finding by Oxendine's office that life insurance products offered by American Fidelity contained provisions that violated Georgia law, and that company annual statements were not filed properly.

"During my years in office I've had many occasions to work with the men and women of our armed services on a variety of insurance-related issues," Oxendine said. "As always, I am thankful for their contributions to our country's safety and well-being, and I want to do what I can to help them here at home."

American Fidelity Life Insurance Company of Pensacola, FL is an underwriter of the U.S. military's Servicemembers Group Life Insurance (SGLI) program.



OXENDINE DIRECTS INSURERS TO COVER REGULAR MAMMOGRAMS AS DEFINED IN STATE LAW

Insurance Commissioner John W. Oxendine issued a warning letter on December 1, 2009 to all health insurers operating in Georgia informing them that he will require their policies to continue covering mammogram screenings for breast cancer as currently prescribed by state law.

"I expect insurers to abide by the policy contracts they currently have filed with my office," Oxendine said. "Some insurers may use these new recommendations as an excuse to reduce the benefits they offer-- this would be totally unacceptable. I would remind each insurer that any coverage change would need to be filed with my office and I will not approve such reductions."

On November 16, 2009 the U.S. Preventative Services Task Force, convened by the Department of Health and Human Services, revised existing breast cancer screening recommendations causing concerns among women and doctors across the country. The new recommendations suggest that women should only get mammograms once every two years starting at age 50 instead of annually at age 40.

Georgia law currently states that women age 35 to 39 are entitled to a baseline mammogram; women age 40 to 49 can get a mammogram once every two years or when ordered by their physician, and women 50 and older are to be provided a mammogram every year.

"Early detection is vital to successful treatment," Oxendine said. "I'm afraid what we see coming from Washington, D.C. is a step down the road to a form of health care rationing that puts financial considerations over an individual's health. Waiting to the last minute to treat an illness is wrong. That's why I expect health insurers to continue supporting early and regular mammograms as defined in state law."

Section 33-30-4.2 of state law that defines cover of mammograms can be located under Georgia Code at: <http://www.legis.state.ga.us/>



DID YOU MISS THE RENEWAL DEADLINE?

The 2010 insurance license renewal cycle officially closed on December 31, 2009. If you are a resident license holder and have failed to renew for 2010, you will be required to file for reinstatement of your license using Form GID103.

All agents must be in compliance with continuing education requirements before filing for reinstatement. Each resident licensee that files for reinstatement will be subject to a consent order and administrative fine for failure to renew their license on time. If you fail to file for reinstatement within 6 months of the expiration date, you will be required to be fingerprinted as part of the reinstatement process. If you fail to file for reinstatement within 12 months of the expiration date, you will be required to re-apply for licensure by completing prelicensing and examination requirements.

Effective January 1, 2010, all new resident license applicants, excluding existing licensees, are required to submit electronic fingerprints as part of the application process. For additional details, please see our website at www.gainsurance.org.



TWO MACON INSURANCE AGENTS ARRESTED ON FRAUD CHARGES

On December 17, 2009, Commissioner Oxendine's Fraud United announced that two Macon insurance agents had been arrested on insurance fraud charges.

Broadus W. Marshall Jr., 57, and his son Matthew P. Marshall, 26, have been charged with insurance fraud for allegedly keeping premiums paid to them for auto and business liability insurance. Both father and son are licensed insurance agents and work for Marshall Insurance Agency, 2942 Vineville Avenue, Macon.

"In 15 years as Georgia's Insurance Commissioner, I've seen this type of fraud many times," Oxendine said. "The outcome is always the same. Whenever agents are tempted to keep premium money, they should realize that sooner or later they're going to get caught."

According to Oxendine, Broadus Marshall kept premium payments totaling \$152,062.10 paid to him by Goodwill Industries of Middle Georgia for auto insurance. Instead of turning payments over to the insurer, Marshall deposited the money in his business account and used the funds for student loan payments, car loans, vacations and dining out, among other things.

Because the premiums were not received, Goodwill's policy was cancelled by the insurer. Goodwill was unaware during this time that the company was without coverage.

Marshall also charged Goodwill for a bogus extension on their insurance policy. This extension was not approved by the insurer and did not exist on Goodwill's policy, Oxendine said. Marshall issued Goodwill a new certificate of insurance and new automobile insurance cards when he received the funds for the extension; both the certificate of insurance and auto insurance cards were fraudulent.



ARSON REWARDS ISSUED IN STEPHENS COUNTY

Insurance and Safety Fire Commissioner John W. Oxendine and the Georgia Arson Control Board, Inc., presented four reward checks to citizens of Stephens County who provided information in an arson fire that led to the conviction of an arsonist.

The checks totaling \$9,000 were presented to Shannon Maxwell (\$3,500), Martha Maxwell (\$2,000), Brenda Appling (\$2,000) and Carolyn Fleming (\$1,500) in a brief ceremony in December at the Toccoa Fire Department, Commissioner Oxendine said.

The rewards were given for information that led to the arrest and conviction of a suspect in a June 2008 house fire in the city of Toccoa. The house was located at 232 West Spring Street.

Commissioner Oxendine and the Georgia Arson Control Board, Inc., sponsor the Georgia Arson Control Reward Program and the Georgia Arson Hotline. Rewards of up to \$10,000 are given for information leading to the arrest and conviction of an arsonist.

Anyone with information about a suspicious fire is asked to call the hotline at 1-800-282-5804. Since its inception in 1979, the Georgia Arson Control Program has approved 520 rewards totaling \$1,485,350.



Q&A with Commissioner Oxendine

Q: Recently I heard about “accident forgiveness” as part of my auto policy. What is it, and how does it work?

A: An accident forgiveness option could prevent premium increases for consumers involved in an at-fault accident. Accidents can lead to higher premiums. Accident forgiveness means that an insurer agrees not to increase a customer’s premium after the driver is involved in an at-fault accident. It is a perk that many insurance companies offer either as part of a standard policy to loyal customers, or as an additional endorsement that drivers with a safe driving record can purchase. Some companies also use it as an incentive to new customers for switching from another insurer. Insurers sometimes extend the option to parents of teenage drivers.



While accident forgiveness can seem like a “free pass,” it’s important for consumers to understand the conditions and limitations associated with this option:

1. In some cases, accident forgiveness is included as part of a standard car insurance policy; however, you will typically pay a higher premium for a policy that includes this added protection. More often, accident forgiveness is offered as an additional endorsement – or coverage option – for a fee. Costs vary by insurer, so check with your current insurer as well as a few others if you’re looking for the best deal.

2. As with cost, eligibility may vary by insurer. Typically, qualification for accident forgiveness protection is based on two factors:

Customer loyalty: Many insurers only offer accident forgiveness to customers who have been insured with the company for a certain number of years.

Driving record: To qualify for the benefit, many insurers require that drivers have a clean driving record for several years. Not only will insurers look at your accident history, but some consider driving violations as well. That means that one speeding ticket could impact your eligibility.

3. Policy conditions can vary greatly. Some policies require you to maintain a clean driving record for up to five years before you become eligible for accident forgiveness. With other policies, the coverage kicks in immediately. Similarly, some policies offer forgiveness for one accident while others forgive multiple accidents.

4. Does accident forgiveness make sense for you? After an at-fault accident, premiums may increase, sometimes as much as 40 percent. If you are a safe driver who pays standard rates, then depending on the cost, accident forgiveness might not make sense for you. But if you’ve suffered an accident and already pay higher rates, then opting for the benefit might help you save money in the long run. Talk with your insurance company or agent to learn more about how your rates might be affected by an accident.

OXENDINE TO HOST BREAKFAST FOR FIREFIGHTERS

Commissioner Oxendine will host a continental breakfast reception for firefighters at the 38th Annual Firefighters Recognition Day Ceremonies on at the Georgia Capitol.

At the breakfast, Commissioner Oxendine will deputize local fire marshals and later join Governor Sonny Perdue and other state officials in addressing firefighters from around the state.

The breakfast is scheduled for Tuesday, Feb. 2, from 7:30 a.m. until 9:30 a.m.

