

Buyer Beware: Unlicensed Insurance Plans Prey on Health Care Consumers

On May 20, 2010, Davidson County, Tennessee Chancery Court issued an Order of Liquidation of American Trade Association, Smart Data Solutions, and Serve America Assurance companies for conducting unauthorized insurance company business. Families USA believes that consumers have a right to be informed about this and a rash of similar health insurance schemes that are exploiting people, especially during the economic downturn. Further, consumers should expect state and federal governments to take all reasonable steps to protect them from unscrupulous insurers.

- ▶ Consumers are not always protected when they buy health plans through associations.
- ▶ As of July 2010, 21 states had issued “cease and desist” orders to stop the scheme involving American Trade Association, Smart Data Solutions, Serve America Assurance, and their affiliates; at least two other states were investigating.
- ▶ In this case, as much as \$100 million in premiums has been collected, but many consumers were left with unpaid claims.
- ▶ Uneven state oversight exacerbates problems.
- ▶ The Affordable Care Act provides new tools to stop such practices (see page 7).
- ▶ Consumers, states, and the federal government must remain vigilant.

Introduction

American Trade Association, Smart Data Solutions, and Serve America Assurance—the three companies being liquidated by court order—have been operating out of principal offices in Tennessee. Insurance departments in Tennessee and many other states have found that these companies sold unauthorized, unlicensed health insurance products to consumers and also failed to pay claims. The companies took premium payments from people and, many times, gave them nothing in return. When the purchasers of these products got sick, they were sometimes left with thousands of dollars in unpaid medical bills. (Other entities and individuals involved in this scheme are not liquidated under this ruling because they are headquartered in other states, as well as in Bermuda and Pakistan, and not in Tennessee.¹)

The sale of phony insurance is not uncommon and often surfaces in economic downturns when people are desperate to buy affordable coverage. People mistakenly think they will get a better deal if they purchase coverage through an association, but regulation and oversight of coverage offered through associations represents a significant challenge to state insurance departments. As this case demonstrates:

- Even after one state identifies a problem, the company may continue to operate for years in other states. North Carolina issued a cease and desist order to stop many of the players in this case from selling insurance in 2008. But by June 2010, when Maryland issued a cease and desist order, the plans sold by these players had been identified in at least 23 states.²
- Estimates of total premiums paid to these companies for unauthorized, unlicensed plans range from \$14 million to \$100 million.³
- This particular scheme operated through associations that went by many different names. (At least one of the players in this case was involved in a previous case concerned with fraudulent insurance sold through an association of employers in 2001-2002.⁴) Consumers are often ill-protected when they buy coverage through an association,⁵ and the web of relationships among salespeople, associations, administrators, and actual insurers can be difficult for regulators to unravel and oversee. Consumers may be encouraged to join fake associations to buy health insurance so they have an illusion of coverage—and the insurers collect membership dues and premiums while illegally avoiding state oversight.
- The Affordable Care Act helps to address these problems both by strengthening national oversight and enforcement authority and by helping consumers find and afford legitimate insurance products.

This Special Report discusses the series of events surrounding American Trade Association, Smart Data Solutions, and Serve America Assurance, as documented by consumers and state regulatory agencies and outlines new consumer protections against fraud under the Affordable Care Act.

Weaknesses in Oversight of Association Health Plans

The entities, principals, and agents associated with American Trade Association, Smart Data Solutions, and Serve America Assurance have operated under dozens of names, selling limited benefit plans and nonexistent plans in all 50 states since 2004 or before.⁶ Whenever a regulator took enforcement action against the association or one of the related entities, the company could change its name or move on to another state—and thus evade scrutiny by state insurance departments.

Unfortunately, this is not uncommon. When a company is not registered with the state insurance department, it is selling an unauthorized insurance product. But to stop these companies from continuing to sell in their states, most regulators must wait for consumers to register complaints that identify an unauthorized sale and then must investigate.

Generally, health insurance companies that sell policies to individuals or to employers must be licensed in each state where they do business; the producers (agents or brokers) who sell policies must also be licensed in the states where they sell policies. In order to get a license, insurance companies must demonstrate to regulators that they are solvent and that they will have the resources needed to pay medical claims. They must also abide by state and federal rules and consumer protections. To be licensed as insurance producers, the agents or brokers must agree to abide by a code of ethics, must be knowledgeable, and must sell only authorized insurance products.

However, plans that are offered by associations are not subject to all of the same rules and oversight procedures, and it has been difficult for state and federal authorities to find and stop those that are not legitimate. Broadly speaking, associations might be composed either of employers or of individual members, and the rules for these two types of associations to offer health insurance differ.

Associations composed of multiple employers are called “Multiple Employer Welfare Associations” (MEWAs).⁷ The U.S. Department of Labor shares regulatory oversight responsibilities for MEWAs with states. MEWAs are supposed to file annual statements with the Department of Labor, and the Department of Labor makes sure that the administrator upholds its fiduciary duties and spends its assets in the interest of plan participants.⁸ States set further requirements for the financial soundness of, and benefits offered by, the health plan. But it can be difficult for employers and individuals to determine who has authority over an association and its health plan, and when these plans operate in multiple states and through multiple entities, it is also difficult for regulators to oversee them. Until this year, an individual state could order a MEWA to stop operating in its state when there was a problem, but the federal government could not order a MEWA to close nationally. This changed under the Affordable Care Act (see page 7).

For associations composed of individuals, states regulate and oversee the health plans. States vary in their approaches to regulation of out-of-state associations: Some states require that association health plans comply with the same laws as other health insurers in the state; some require that the association seek permission from the insurance department before selling a product that is primarily regulated by another state and require the plan to disclose to consumers that they fall under a different state's regulations; and some fairly freely allow out-of-state sales, as long as the insurer follows *some* state's regulations. This makes such schemes very hard to catch and stop.⁹

To complicate the picture even further, some companies get around licensure laws by marketing themselves as a health insurance “alternative” that is not real insurance—for example, only offering a discount on medical services—and states vary as to whether they require licensure of these medical discount cards. However, in every state, deceptive marketing is illegal. States that issued cease and desist orders against American Trade Association often did so because neither the company nor its affiliates was a health insurer, though consumers believed that they were buying health insurance.

Description of the ATA Scheme

As early as May 2008, entities and individuals who were later associated with the American Trade Association (ATA) were cited for unlawful insurance sales and activities. A Cease and Desist Order¹⁰ filed by the North Carolina Department of Insurance states that the entities, principals, and agents operating an earlier incarnation of ATA:

- Sold unauthorized, unlicensed insurance products;
- Contracted with marketing companies to market and sell bogus health insurance plans to residents of North Carolina and other states via illegal and unauthorized blast faxes; and
- Misrepresented to consumers that they were purchasing comprehensive health insurance benefits. Once enrolled, members were repeatedly moved from one bogus policy to another.

The Final Order of the North Carolina Department of Insurance, issued in February 2009,¹¹ details how the schemes worked:

- People joined an association in order to get good prices on health insurance and other benefits. The associations changed names, contracted with other associations, or transferred members to a different association in order to evade regulation: Affinity Group Benefits Association (AGBAI), National Trade Business Alliance of America, National Alliance of Associations, Association of Franchise and Independent Distributors (AFID), Real Benefits Association, and American Trade Association are named in North Carolina's order. Professional Benefits Consultants (PBC Direct) acted as the insurance producer (agent or broker).

- Marketing materials, distributed through blast faxes and on the Internet, advertised affordable insurance and led people to believe they would be buying comprehensive major medical policies.
- For a while, from September 2007 through January 2008, a policy was actually offered to association members through a limited benefit insurer, Transamerica. However, when Transamerica determined that the associations and the various salesmen were misleading consumers about the product—in violation of Transamerica’s own marketing guidelines—by promising comprehensive coverage when only a limited hospital indemnity policy was actually provided, that insurer pulled out. After that, members of the association were instead given bogus insurance cards and certificates. Eventually, they were told that they were insured through Beema, a Pakistani company that is not authorized to sell health insurance in the United States.
- Smart Data Solutions (SDS) administered the program. People paid a membership fee to join an association, and monthly premiums for health insurance were deducted from their bank accounts. Sometimes, SDS and various associations may have told members that they had insurance through legitimate insurance companies, although those companies had never sold them a policy or authorized the use of their names.
- Consumers complained that their claims were not paid. After pursuing these complaints with the help of the insurance department, consumers could sometimes receive a premium refund—but were still left with unpaid claims for a hospitalization, for example.
- North Carolina issued cease and desist orders and emergency cease and desist orders to stop several of the named companies and principals from selling insurance on January 31, 2008, May 16, 2008, and in August 2008. Nevertheless, those companies continued to enroll people in sham insurance policies. They were fined for doing so in 2009.

Over the past two years, the companies and individuals have faced a series of state-level investigations and regulatory enforcement orders from at least 21 states for selling unauthorized health insurance products.¹² For example:

- Oklahoma issued an emergency cease and desist order against American Trade Association, Smart Data Solutions, and other parties in November 2009. In January 2010, the state found that the order had been violated and that the companies were continuing to sell to Oklahoma residents.¹³ At least 116 Oklahomans had bought these policies, including one, **Bob Harper**, “who was days away from getting a pacemaker when he was contacted by the Insurance Department in November and told his health insurance provider was a fraud,” and another, **Joe Smith**, who learned that his wife’s \$10,000 per week chemotherapy would not be covered.¹⁴

- Arkansas issued an emergency cease and desist order to stop sales by American Trade Association, Serve America Assurance, Beema-Pakistan, Real Benefits Association, Bart Posey, Richard Bachman, Obed Kirkpatrick, and Association of Franchise and Independent Distributors in January 2010.¹⁵ **One couple** who filed a complaint with the Insurance Commissioner of Arkansas incurred more than \$150,000 in medical debt after the companies refused to pay claims. The final cease and desist order was issued in April 2010.¹⁶ It also revoked Smart Data Solutions' license.
- Missouri's Statement of Charges and Order to Show Cause in a case involving American Trade Association and many other named parties explains how a number of Missouri consumers were harmed by the scheme. **One consumer** incurred a bill of \$60,304 while supposedly covered by the ATA network.¹⁷ Missouri Insurance Director John Huff ordered the "bogus health insurance companies" to shut down and pay \$1 million in fines in September 2010. The department's press release notes that at least 150 Missouri consumers paid the companies for services and the companies "defrauded" Missouri consumers.¹⁸

Despite many state cease and desist orders, the companies continued to market themselves over the Internet. As late as March 2010, consumers in states without active cease and desist orders against ATA could still join online and "enroll in one of our guaranteed issue health plans."¹⁹

The string of events culminated in a court-approved liquidation of the assets of ATA, Smart Data Solutions, and Serve America Assurance petitioned by the state of Tennessee. It later emerged that:

- It was estimated that at least 12,400 individuals purchased policies and paid at least \$14 million in premiums—perhaps as much as \$100 million was collected in premiums.²⁰
- An ATA affiliate acted as an administrator and marketer for at least 2,259 health insurance policies sold to Florida residents, though ATA and BEEMA were not authorized to sell or provide coverage in Florida.²¹
- In a meeting with an investigator for the Indiana Department of Insurance, an ATA officer admitted that the company's medical benefits did not have an underwriter and that ATA's ability to pay outstanding claims was unclear. The company continued to sell its product after that meeting.²²

Sadly, some of the same people named in these cease and desist orders have been named in previous cases. For example, Christopher Ashiotes was a defendant in a civil RICO case brought in the U.S. District Court in Nevada in 2003. The complaint alleged that Ashiotes was among the insurance producers marketing fraudulent health insurance to Employers Mutual LLC. As part of the settlement of that case, he, James Doyle, and American Benefits Society agreed to pay \$850,000.²³ However, Ashiotes is named again in the North Carolina order and orders from many other states regarding the ATA case. (James Doyle is named in both cases as well, but we cannot verify that it is the same James Doyle in both.)

Another player mentioned in many state cease and desist orders is William Worthy II. According to the South Carolina Director of Insurance, Worthy is “the principal character in [a] nationwide unauthorized insurance scheme” and “has a lengthy history of engaging in fraudulent insurance activities.”²⁴

The scope of operations of ATA and the other entities remains unclear, and many states are still investigating their alleged violations. The operators have not yet been criminally prosecuted, and some continue to do business as real estate agents with Springfield Realty in Tennessee, which has offices in the same building as the now-liquidated ATA.²⁵ Further, despite being defunct, ATA is suspected of continuing to operate as Best Benefits Association, Healthcare America, and maybe other operations.²⁶ Recent orders suggest that some of the same principals may now be involved with a bogus company named “Star Group/Phoenix” selling to an association called “CEO Clubs.”²⁷

Protections under the Affordable Care Act and Under State Laws

The recently enacted Patient Protection and Affordable Care Act (Affordable Care Act) will continue to change the landscape for health insurance consumers in America. The Affordable Care Act will help people avoid insurance scams by:

1. Providing residents of every state with a web portal (www.healthcare.gov) that will serve as a mechanism to identify legitimate, authorized insurance plans.
2. Providing access to affordable coverage. In 2014, people who cannot afford to pay the full cost of coverage and who do not have help from an employer will receive assistance with premiums and cost-sharing.
3. Providing grants to states to offer consumer assistance or ombudsman services. Consumers will have better avenues to issue complaints and to learn about their rights.
4. Providing federal authority for U.S. agencies to take action nationally to stop plans that are fraudulent or insolvent from continuing to sell their products through associations of employers. The Affordable Care Act (Sections 6601 through 6607) amends ERISA and provides this new authority, which supplements state regulatory authority. The new protections are aimed at “Multiple Employer Welfare Arrangements” (MEWAs), which can either be employer-sponsored health plans that are offered by a group of employers, or other arrangements that are supposed to provide health benefits to the employees of two or more employers (including one

or more self-employed individuals), or to their dependents. Associations that provide health plans to small businesses would probably fall under the definition of a MEWA. (However, plans provided under a collective bargaining agreement, by rural electric cooperatives, or by rural telephone cooperatives are specifically exempted from the MEWA statute.) Under the new law:

- Multiple Employer Welfare Arrangements must register with the Department of Labor.
 - If a person makes a false statement about the financial condition of such a plan, the benefits it provides, whether or not it is a collectively bargained plan or other plan exempt from MEWA regulation, or whether or not it is exempt from state regulation, that person can be criminally prosecuted.
 - In addition to states' authorities to issue cease and desist orders, the Secretary of the Department of Labor can also issue a cease and desist order and seize the assets of a plan that is fraudulent; that creates an immediate danger to public safety or welfare; or that can be reasonably expected to cause significant, imminent, and irreparable public injury.
 - Various enforcement agencies, including state insurance departments; state attorneys general; the U.S. Departments of Labor, Treasury, and Health and Human Services; and the National Association of Insurance Commissioners, can communicate and exchange confidential information regarding investigations of employer-based health plans and of MEWAs.
5. Over time, providing coverage for people with pre-existing conditions, who have often been vulnerable to scams in their desperation to find available coverage. This year, insurers will cover children with pre-existing conditions, and some adults will be able to buy coverage through new Pre-Existing Condition Insurance Plans. In 2014, all insurers will cover pre-existing conditions.

Conclusion

State investigations of American Trade Association and its affiliates are still ongoing. But even if these operators are successfully shut down, states must continue to play a significant role, along with federal regulators, in stopping insurance fraud. Tools that will help accomplish this goal include the following: well-staffed regulatory agencies, use of civil suits and criminal prosecutions, state laws prohibiting the sale of association plans across state lines and prohibiting the unlicensed sale of medical discount cards (often confused with insurance), and outreach to consumers so that they are alerted to insurance schemes and know to file complaints when there are problems.

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Consumers should be equipped with the tools to avoid fraudulent health insurance. They should also be made aware of new protections provided in the Affordable Care Act. However, until the Affordable Care Act reforms are fully implemented in 2014, consumers desperate for help will remain vulnerable to insurers who advertise that they are selling “guaranteed issue health insurance” that covers pre-existing conditions, or who go door-to-door selling “Obamacare.” Thus, it is important that state and federal agencies get out the word that consumers should use trusted government websites to learn about health insurance and should check with state and federal regulators to make sure that the insurance products they buy are authorized.

Families USA wishes to thank the Coalition Against Insurance Fraud for their review of a draft of this Special Report and for assistance in gathering information.

Endnotes

¹ State investigations of American Trade Association are ongoing. Bart and Angie Posey, Obed and Linda Kirkpatrick, Richard Bachman, William Worthy, and Colin Youell have also been named as respondents in some of the Tennessee orders. New Hampshire's cease and desist order explains that Serve America Assurance, Ltd. is a Bermuda corporation owned by Beema-Pakistan, located in Pakistan. State of New Hampshire Insurance Department, "Cease and Desist Order In Re: American Trade Association, Beema-Pakistan Company Limited, Smart Data Solutions, LLC, Serve America Assurance, Ltd., Bart Posey, Richard Bachman, William Worthy, and Obed Kirkpatrick," *Docket No. INS. No. 10-026-EP*, available online at <http://www.nh.gov/insurance/legal/enforcement/documents/10-026-ep.pdf>.

² The following states issued formal orders: Arkansas (Order No. 2010-013), Connecticut (Order No. CA-09-72), Delaware (Order 1344-2010), Florida (Order No. 106845-09), Illinois (Hearing No. 10-HR-0153), Indiana (Order No. 7543-AG08-1031-272), Kansas (Order No. 3966-SO), Louisiana (see insurance department's June 9 news release, http://www.lidi.state.la.us/public_affairs/Press_Releases/2010_Press_Releases/6-9-10%20AmericanTradeC&D.html), Maine (Order INS-10207), Maryland (MIA-2010-05-36 through 46), Michigan (Order No. 097339), Missouri (Order No. 10-0115057C), Montana (Order INS-2010-01), Nebraska (I-82), New Jersey (Order No. E09-31), New Hampshire (Docket No.: INS. No. 10-026-EP), North Carolina (Order No. 1417), Ohio (Order No. 13322), Oklahoma (Order No. CA-09-72), Texas (Order 10-0301), and Washington (Order No. 10-0001). In addition, Massachusetts and New Mexico have issued consumer alerts stating that these companies are under investigation.

³ G. Chambers Williams III, "States probe health plans sold as insurance: Regulators say Springfield firm's policies are illegal," *The Tennessean*, February 21, 2010, available online at <http://www.tennessean.com/article/20100221/BUSINESS01/2210374/States-probe-health-plans-sold-as-insurance>.

⁴ Complaint in *Thomas A. Dillon, Independent Fiduciary of Employers Mutual Plans v. Graf, et al.*, Case No CV-N-03-0119-HDM-VPC, U.S. District Court for the District of Nevada, filed March 3, 2003 and *Settlement Orders for Dillon v. Graf, et al.*, CV-N-03-0119-HDM-VPC and *Chao v. Graf, et al.*, CV-N-01-0698-DWH-RAM, available online http://www.hbsb.com/class_action_docs/ntc_wv_i_sttlmnts.pdf.

⁵ There are also health insurance schemes involving fake unions, which similarly involve multiple players and claim exemptions from state regulation. U.S. Government Accounting Office, *Private Health Insurance: Unauthorized or Bogus Entities Have Exploited Employers and Individuals Seeking Affordable Coverage*, testimony before the Senate Committee on Finance, March 3, 2004, GAO-04-512T.

⁶ North Carolina Department of Insurance, *Amended Emergency Cease and Desist Order: Docket No 1417* (Raleigh: North Carolina Department of Insurance, August 15, 2008).

⁷ There are a few exceptions, including exceptions for plans formed under a collective bargaining agreement. Some insurers sell sham plans pretending that they are collectively bargained in order to evade regulators.

⁸ U.S. Department of Labor, *Multiple Employer Welfare Arrangements under the Employee Retirement Income Security Act (ERISA): A Guide to Federal and State Regulation*, available online at <http://www.dol.gov/ebsa/Publications/mewas.html>, accessed on July 19, 2010.

⁹ For more information, see Mila Kofman, Kevin Lucia, Eliza Bangit, and Karen Pollitz, "Association Health Insurance: Is it Time to Regulate this Product?" *Journal of Insurance Regulation* 24, no. 1 (Fall 2005): 31-45.

¹⁰ North Carolina Department of Insurance, Raleigh, "In the Matter of Affinity Group Benefits Association, Inc., Smart Data Solutions, LLC, National Trade Business Alliance of America d/b/a National Alliance of Associations, Professional Benefits Consultants a.k.a. PBC Direct, Richard H. Bachman, Bart Posey, Obed Kirkpatrick, Thomas Sullivan, James M. Doyle, Christopher Ashiotes," *Emergency Cease and Desist Order: Docket No. D-1417*, May 16, 2008.

¹¹ North Carolina Department of Insurance, "In the Matter of Affinity Group Benefits Association, Inc., Smart Data Solutions, LLC, National Trade Business Alliance of America d/b/a National Alliance of Associations, Professional Benefits Consultants a.k.a. PBC Direct, Richard H. Bachman, Bart Posey, Obed Kirkpatrick, Thomas Sullivan, James M. Doyle, Christopher Ashiotes, Association of Franchise and Independent Distributors, LLC, Paul Olzeski, Spencer and Associates LLC, Bruce E. Spencer, Marc Morrow, Real Benefits Association, David L. Clark, American Trade Association, Stephens-Matthews Marketing, Inc, and Larry Matthews," *Final Agency Decision and Order: Docket No. 1417* (Raleigh: North Carolina Department of Insurance, February 19, 2009).

¹² The four states are listed in endnote 2.

¹³ Insurance Commissioner of the State of Oklahoma, "State of Oklahoma vs. America Trade Association, Real Benefits Association, Smart Data Solutions, Serve America Assurance Ltd., Beema-Pakistan Company Ltd., Obed Kirkpatrick, Bart Posey, Richard Bachman, William Worthy II, Kathleen Cauthen, David Clark, Colin Youell, Healthcare America, Pinnacle Health Solutions, Pinnacle Health Solutions LLC, EHealthgreen, Executive Healthcare, My ATA Benefits, First American Healthcare, Superior Health Care, Omni Healthcare, Proven Choice, Mini Health Care, James Parish, Nicholas A. Wall, Billy Henson, Cleotha Montgomery, and Michael Schultz," *Notice of Violation of Cease and Desist Order: Case No. 09-1544-UNI* (Oklahoma City: Insurance Commissioner of State of Oklahoma, Filed January 8, 2010).

¹⁴ Vallery Brown, "Oklahoma insurance scam leaves many without coverage," *The Oklahoman*, December 5, 2009, available online at <http://newsok.com/oklahoma-insurance-scam-leaves-many-without-coverage/article/3422808>.

¹⁵ The original order also named Independent Resource Group and Association of Independent Managers, but these were later dropped from the case because, the final order explains, the operators were using names similar to the names of legitimate entities.

¹⁶ Insurance Commissioner of Arkansas, In the Matter of American Trade Association, Real Benefits Association, Smart Data Solutions, Serve America Assurance, Ltd., Beema-Pakistan Company Ltd., Bart Posey, Richard Bachman, Obed Kirkpatrick, Association of Franchise and Independent Distributors, LLC, *Final Cease and Desist Order: AID NO. 2010-013A* (Little Rock: Insurance Commissioner of the State of Arkansas, April 6, 2010).

¹⁷ Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, "In Re: Affinity Group Benefits Association, Inc., American Trade Association, Americans for Affordable Health Care, Inc., Beema-Pakistan Assurance, Ltd a/k/a Beema-Pakistan Company Limited, Key Benefits Administrators, Inc., National Alliance of Associations, National Trade Business Alliance of America, Peak Membership Alliance, Professional Benefit Consultants of Del., Inc., Real Benefits Association, Serve America Ltd. a/k/a Serve America Assurance, Smart Data Solutions, LLC, Spencer and Associates, LLC, Christopher Ashotes, Richard Bachman, Earnest Beall, David L. Clark, Walter Cecchini, James M. Doyle, Obed Kirkpatrick, Raymond B. McCarthy, Bart S. Posey Sr., Thomas J. Sullivan, William M. Worthy, and Colin Youell," *Case No. 10-0115057C*, February 1, 2010, available online at <http://insurance.mo.gov/Contribute%20Documents/DMPOStatementOfCharges.pdf>.

¹⁸ Missouri Department of Insurance, Financial Institutions and Professional Registration, Bogus health insurance companies ordered to shut down Missouri operations, pay \$1 million in fines," news release, September 21, 2010, available online at http://insurance.mo.gov/news/2010/Bogus_health_insurance_companies_ordered_to_shut_down_Missouri_operations_pay_1_million

¹⁹ See www.myatabenefits.com, accessed on March 11, 2010.

²⁰ G. Chambers Williams III, "States probe health plans sold as insurance: Regulators say Springfield firm's policies are illegal," *The Tennessean*, February 21, 2010, available online at <http://www.tennessean.com/article/20100221/BUSINESS01/2210374/States-probe-health-plans-sold-as-insurance>.

²¹ Florida Office of Insurance Regulation, "In the Matter of Beema-Pakistan Company, Ltd., Serve America Assurance, Ltd, William Worthy II, Real Benefits Association, David L. Clark, Affinity Group Benefits Association, Inc., American Trade Association, Inc, Smart Data Solutions, LLC, SDS Management Group, Bart Posey, Richard H. Bachman, Obed Kirkpatrick," *Order: Case No: 106845-09* (Tallahassee: Office of Insurance Regulation, February 2010) and *Final Order: Case No. 106845-09* (Tallahassee: Office of Insurance Regulation, June 24, 2010).

²² Affidavit submitted by David Rose, investigator in the Indiana Department of Insurance, February 22, 2010, and attached as an exhibit to "Tennessee Insurance Division Petition vs. American Trade Association, LLC, American Trade Association, Inc., Obed Kirkpatrick, Sr., Richard H. Bachman, and Bart S. Posey," *Cease and Desist Order: No 12.04-106577J*, Commissioner of Commerce and Insurance of the State of Tennessee, February 25, 2010.

²³ Complaint in Dillon, *Independent Fiduciary of Employers Mutual Plans v. Graf et al.*, Case No. CV-N-03-0119-HDM-VPC, U.S. District Court for the District of Nevada, filed March 3, 2003, and *Settlement Orders for Dillon v. Graf, et al.*, CV-N-03-0119-HDM-VPC and *Chao v. Graf, et al.*, CV-N-01-0698-DWH-RAM, available online at http://www.hbsb.com/class_action_docs/ntc_wv_i_sttlmnts.pdf.

²⁴ South Carolina Department of Insurance, "In the Matter of: William M. Worthy, II; David L. Clark; Kathleen D. Cauthen; Louis DeLuca; Gary L. Karns, Jr.; David L. Nellson a/k/a Davis L. Nellson a/k/a David Nelson; Worldwide Family Benefits Association, Inc.; Wilshire Holding, LLC; Viking Administrators, LLC; Beema-Pakistan Company Limited; Serve America Assurance, Ltd.; SouthEast Insurance Advisors, LLC; Unites States Contractors Trust; Insurance Resource Group; Integrated Insurance Marketing, Inc.; CEO Clubs, Inc.; Hudson Valley Consultants, LLC d/b/a CEO Clubs Benefits; Metropolitan Business Alliance LLC d/b/a National Association of Business Leadership; and Real Benefits Association, LLC," *Emergency Cease and Desist Order: SCDOI File No. 06-0795* (Columbia, South Carolina Department of Insurance, May 11, 2010).

²⁵ Obed Kirkpatrick and Bart Posey are listed on the web as affiliated brokers of Springfield Realty at <http://www.springfieldrealtyandauction.com/5022/index.html>, accessed July 14, 2010.

²⁶ G. Chambers Williams III, "Health insurance clients targeted again: New Unlicensed companies charge for health plans," *The Tennessean*, May 21, 2010, available online at <http://www.knoxnews.com/news/2010/may/21/health-insurance-clients-targeted-again/?partner=RSS>.

²⁷ South Carolina Department of Insurance Emergency Cease and Desist Order, op. cit., and North Carolina Department of Insurance, "William Worthy, II, Star Group/ Phoenix Insurance Company, Serve America Assurance, Ltd., Beema Pakistan Company Ltd., Mirza Shahnawaz Agha, Mirza Zaheer "Zeke" Agha, Colin Jack Youell, David L. Clark (d/b/a Insurance E-Marketing, E-Marketing, LLC, Real Benefits Association, and RBA Administrators), Kathleen D. Cauthen, Viking Administrators, LLC, Wilshire Holding, LLC, Worldwide Family Benefits Association, Inc., Arnold H. Katz (d/b/a Venture Support Group, LLC, AHA Health Plans, UHA Health Plans, and Access Health Now), Association of Independent Managers, Insurance Resource Group, Louis DeLuca, Integrated Insurance Marketing, Inc. (d/b/a AIM Health Plans, Inc.), Gary L. Karns, Jr., CEO Clubs, Inc. (a/k/a CEO Club or CEO Clubs), Joseph Mancuso, Hudson Valley Consultants, LLC (d/b/a CEO Club Benefits), Metropolitan Business Alliance, LLC (d/b/a National Association of Business Leadership, LLC), Kevin R. Dunn, Richard Dunn, David Brian Rutstein, A David Rutstein Company, David Nelson, Unites States Contractors Trust, and United States Contractors Association," *Emergency Cease and Desist Order, Notice of Hearing, and Order to Produce Documents and Information, Docket No. 1548* (Raleigh: North Carolina Department of Insurance, July 20, 2010).



**SPECIAL
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