



Combating Mortgage Fraud

RESIDENTIAL MORTGAGE FRAUD is on the rise nationwide. In Texas, there has been a significant increase in the number of criminal indictments for mortgage fraud. Due diligence will be required of consumers, lenders, appraisers, real estate agents, prosecutors, and Title personnel to identify and combat this growing problem. TDI offers the following non-exclusive list of ‘red flags’ that could alert title agents and escrow officers to the potential for mortgage fraud:



Due diligence will be required to identify and stop mortgage fraud.

- 1 Excessive or undocumented repair bills, consulting fees or marketing fees to be paid outside closing
- 2 Sales price increased shortly before closing with difference to be paid in a note to the seller
- 3 Request to ignore lender’s closing instructions or to disburse funds differently than shown on settlement statement
- 4 Last minute power of attorney without explanation
- 5 No funds due from buyer
- 6 Buyer required to use a particular broker or lender
- 7 Cash paid to buyer
- 8 Seller has only had title a short time
- 9 Same notary used on documents executed in different locales
- 10 Chain of title includes broker or lender

- 5 Understand what you are signing and agreeing to—if you do not understand, re-read the documents, or seek assistance from an attorney.
- 6 Make sure the name on your application matches the name on your identification.
- 7 Review the title history to determine if the property has been sold multiple times within a short period—It could mean that this property has been “flipped” and the value falsely inflated.
- 8 Know and understand the terms of your mortgage—Check your information against the information in the loan documents to ensure they are accurate and complete.
- 9 Never sign any loan documents that contain blanks—This leaves you vulnerable to fraud.
- 10 Review your credit report on a yearly basis. You can obtain a free credit report by calling toll-free **1-877-322-8228**, or by going to www.annualcreditreport.com.

Consumers should also be mindful of indications of mortgage fraud. Here are some tips that potential home buyers should consider as they begin shopping for a home:

- 1 Get referrals for real estate and mortgage professionals. Check the licenses of the industry professionals with state, county, or city regulatory agencies.
- 2 If it sounds too good to be true, it probably is.
- 3 Be wary of strangers and unsolicited contacts, as well as high-pressure sales techniques.
- 4 Look at written information including recent comparable sales in the area, and other documents such as tax assessments to verify the value of the property.

If you suspect mortgage fraud, please report it to the FBI, your local district attorney, and TDI’s Title Division and Fraud Unit. If you have any questions regarding this bulletin, please contact the Title Division at **(512) 322-3482** or via email at: title@tdi.state.tx.us.

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Last Person Convicted in Dallas Staged Accident Fraud Ring

THE NINTH AND LAST DEFENDANT in a staged auto accident insurance fraud ring was convicted of Engaging in Organized Criminal Activity in Dallas County District Court on February 27, 2007. Jerry Lockhart was found guilty by the court and placed on five years probation and ordered to pay \$57,239.70 restitution to the victims' insurance companies. Lockhart was involved in what may be one of the largest staged accident rings prosecuted in Dallas County.

The fraud scheme was detected when two insurance accident claims were filed for the same vehicle with different insurance companies during the same month. During the course of the Texas Department of Insurance (TDI) Fraud Unit's investigation, it was discovered that 71 fraudulent claims totaling \$589,431.69 were paid out from 19 insurance companies.

Eight other defendants previously pleaded guilty to similar charges and were ordered to pay restitution, including brothers Michael Williams, Wallace Williams, Bobby Williams and Nathaniel Williams; along with Charles Boston, Nakia Brown, Brandon Williams and Kenneth Clewis. Those convicted were sentenced to probation with the exception of Michael Williams who was sentenced to seven years in prison and Kenneth Clewis who was sentenced to five years in prison.

Several of the fraudulent claims involved identify theft. The victims of the identify theft had no knowledge their names were being used to purchase and insure vehicles, file fraudulent auto accident claims and cash insurance checks until contacted by the Fraud Unit.

The case was prosecuted by the Texas Department of Insurance Special Prosecutor through a cooperative agreement with the Dallas County District Attorney's Office.

Anyone may call **TDI's Fraud Unit** toll-free at **1-888-327-8818** to report suspected fraud.

TDInSight

Contact **TDInSight** at:

Texas Department of Insurance
TDInSight /MC-113-1A
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The staff that prepares this newsletter has no role in proposing, drafting, editing, or approving TDI rules or policies or interpreting statutes. **TDInSight** should not be construed to represent the policy, endorsement or opinion of the Commissioner of Insurance or the Texas Department of Insurance.

By necessity, summaries of proposed and adopted rules cannot explain their full complexity. Readers interested in complete information about administrative rules should consult the versions published in the Texas Register.

To the best of the staff's ability, information presented in this newsletter is correct as of the publication date, but scheduled dates and proposed rules and amendments may change as the adoption process goes forward.

TDI Orders Carriers To Justify Rates

THE TEXAS DEPARTMENT OF INSURANCE will require the state's homeowner insurance carriers to file and justify their current rates. This action is taken in light of 2006 loss ratios, recent changes in the Texas market, and carriers' decisions to exclude risks previously written.

Compiling rate information is permitted under Texas law, and enables a more detailed review of the market. Any rate review will be based on a multi-year period, taking into account severe weather exposure and the need for companies to address adequate reserves for catastrophes.

If a carrier is found to be charging excessive rates, TDI will require the company to reduce its rates. Because risk exposure and policy forms are different, rates will not be uniform for all carriers and consumers are encouraged to review their policies and shop around for the best coverage to meet their needs and budget.

TDI must ensure that rates are reasonable and adequate. While taking into account Texas tor-

Homeowners Insurance Loss and Combined Ratios: 2001 - 2006

YEAR	DIRECT WRITTEN PREMIUM	LOSS RATIO	COMBINED RATIO
2001	\$3,313,133,200	116.9%	165.6%
2002	\$4,299,310,186	108.4%	158.0%
2003	\$4,398,061,531	58.7%	96.3%
2004	\$4,427,551,395	27.7%	58.7%
2005	\$4,620,419,479	57.1%	88.2%
2006*	\$4,777,507,769	34.0%	64.8%*

* 2006 expenses are estimated based on 2005 results.

nado, hail and hurricane exposure, companies should make sure that their rates are both competitive and affordable.

Other factors that may affect rates and subsequent TDI actions include pending enforcement actions, rate changes that companies may already have made in 2006, and any legislation that affects the Texas Windstorm Insurance Association (TWIA) or other aspects of the Texas market.

Court Affirms Order for Allstate to Reduce Homeowners Rates

ON MARCH 8, 2007, the Travis County District Court affirmed an earlier order by Texas Insurance Commissioner Mike Geeslin requiring Allstate Texas Lloyds to reduce its homeowners insurance rates by 5%.

This litigation was initiated in December 2004 when the Commissioner disapproved Allstate's proposed rate increase and the Department issued a Notice of Hearing to disapprove Allstate's current rates. These disapprovals were based on an actuarial analysis by the

Department, which found Allstate's homeowners rates to be excessive, unreasonable and unfairly discriminatory.

The order also requires Allstate to refund to policyholders the amount overcharged since December 2004, including interest on the overcharged amount at the annual rate of 11.25%. The Department estimates that the amount of refunds currently owed to policyholders is more than \$56,000,000.

Workers' Compensation Division Adopts New Customer Service Approach in Field Offices

THE TEXAS DEPARTMENT OF INSURANCE, Division of Workers' Compensation (Division) is implementing a new approach to customer service for injured employees seeking assistance with their workers' compensation claim.

Injured employees will now be assigned to a Division Claims Services Officer (CSO) who will serve as a single point of contact. This means that injured employees will be able to work with the same Division employee for assistance with official actions, dispute resolution services and other needs.

This new approach to customer service addresses past concerns that injured employees were not receiving consistent, accurate information about their claim from Division staff. The Legislature directed the Division to establish a single point of contact for injured employees under the 2005 reforms of the workers' compensation system.

"The Division is continuously looking for new ways to enhance the quality of services it provides to injured employees," said Brent Hatch, Deputy Commissioner for Field Services for the Division.



Combined Conference Declared a Success

EARLIER THIS YEAR the Liquidation Oversight Section in TDI's Financial Program hosted two days of conferences to provide up to date information for Special Deputy Receivers and Subcontractors in the receivership process.

This was the first year the conferences for the two groups were held in conjunction with each other. In previous years, information for subcontractors was included as part of TDI's Historically Underutilized Business Conference, a combined effort between Liquidation Oversight and Purchasing. Because of increased interest in the process, the Commissioner's Office made the decision to establish a distinct Subcontractor's Conference.

The Subcontractors Conference held on January 29th was attended by an estimated 100 participants. Information was provided on the Historically Underutilized Businesses Program and on the ins and outs of subcontracting in the receivership process. Especially well received were the breakout sessions which covered topics including accounting and auditing, claims and reinsurance, legal matters, and information technology. Two Special Deputy Receivers gave presentations on their experience with the contracting process and their methods of recruiting subcontractors.

The following day the focus shifted to Special Deputy Receivers. Information was provided relevant to the administration of existing receiverships and also to give newly approved Special Deputy Receivers some insight into the receivership process. Speakers' topics included forensic accounting, detecting fraud in receiverships, alternative distribution processes with debit cards, the impact of bankruptcy in a receivership, SDR contracting, coordination with the guaranty associations, rehabilitation plans, Federal rule changes on electronic data, and updates on liquidation oversight litigation procedures.

Conference attendees reported that the new two-day format worked well providing new efficiencies for all involved. TDI staff say based on the success of the event and the positive feedback the combined conferences will become an annual event.

For more information on the conferences including agendas, narratives and evaluation reports, contact Evelyn Jenkins, Director of Liquidation Oversight at: evelyn.jenkins@tdi.state.tx.us

For general information on how to become an Special Deputy Receiver or the SDR program, contact Scott Kyle at: scott.kyle@tdi.state.tx.us

TDI Offers Resources on Insurance Careers

THE TEXAS DEPARTMENT OF INSURANCE has a new interactive resource on the agency's website (<http://www.tdi.state.tx.us/commish/careers.html>) describing various careers available in the insurance industry: from agents to underwriters to jobs that many outside the business may not have considered. The ultimate goal is to diversify the pool of qualified candidates for insurance jobs by providing more information to students and job seekers about all the different employment opportunities related to insurance.

The new Careers In Insurance page has links to additional Texas Workforce Commission resources. Career seekers can check out the employment outlook for various insurance-related professions and learn what training and

education may be required. Visitors to the site can also watch occupational videos to gain a better understanding of what it's like to work in the field of insurance and link to websites from professional organizations and training programs.

"The insurance industry currently employs more than 2.5 million people in the United States. The new Careers In Insurance page is meant to encourage the next generation of insurance professionals to explore all the opportunities available in the industry," said Texas Insurance Commissioner Mike Geeslin. "We must work harder at diversifying the leadership of insurance companies and enriching the decision-making that affects our communities across the state and nation."

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Allan, Amber Kay	Corpus Christi	Failed to comply with continuing education requirements	\$2,250 fine	070022	01/08/07
Amann, John G.	Houston	Acted as an agent for unauthorized entities	\$15,000 fine subject to a dollar-for-dollar reduction by restitution to \$5,000; Probated suspension of General Life, Accident and Health License	070067	01/26/07
American Bank, N.A.	Corpus Christi	Failed to timely remit an annual operations report and assessment fee	\$2,800 fine	070037	01/10/07
American International Companies	New York, NY	Failed to timely file compliant quarterly market reports; Failed to timely file compliant financial call and statistical plan data	\$500,000 fine	070023	01/08/07
Amex Assurance Company, IDS Property Casualty Insurance Company	De Pere, WI	Allegedly failed to properly notify consumers regarding adverse effect based on credit report	\$20,000 fine	070025	01/08/07
B & R Title Company, LLC; dba Ameripoint Title New Braunfels	New Braunfels	Failed to timely provide an annual trust fund account audit report	\$3,000 fine	061301	12/15/06
Beaumont Title Company	Beaumont	Failed to timely provide an annual trust fund account audit report	\$10,900 fine	070024	01/08/07
Best Life and Health Insurance Company	Irvine, CA	Failed to timely make available to policyholders a standard health benefit plan	\$5,000 fine	070068	01/26/07
Clark Fidelity Title, Inc.; dba First Fidelity Title	Dallas	Failed to timely remit title insurance policy guaranty fees	\$5,000 fine	061270	12/11/06
Cowan, Robert D	Colleyville	Acted as an agent for unauthorized entities	\$65,000 fine subject to a dollar-for-dollar reduction by restitution to \$30,000	070019	01/08/07
Cross, Rodney Paul	Amarillo	Criminal conduct	General Property and Casualty License issued and placed on probation for two years	070021	01/08/07
Davis, Robert J.	Carrollton	Felony offense involving moral turpitude and Risk Manager License	Two year probation of General Property and Casualty License	061252	12/01/06
First Strategic Title, Incorporated	Wichita Falls	Failed to timely remit title insurance policy guaranty fees	\$2,000 fine	070069	01/26/07
Garcia, Lisa Michele	San Benito	Engaged in fraudulent or dishonest acts or practices; Attempted to obtain a license by fraud or misrepresentation	General Life, Accident and Health License revoked	070036	01/10/07
Henrietta Abstract Company	Henrietta	Failed to timely remit title insurance policy guaranty fees	\$2,500 fine	070070	01/26/07
Hughes, Kiersten Lazette; A&M Title Services, Inc.	Dallas	Made a material misstatement on a license application; Improperly received title insurance premium	\$6,000 fine; Surrender Title Insurance Escrow Officer License; Cease and Desist Order	061269	12/11/06
K&S Group, Incorporated	Rockwall	Failed to timely remit an annual operations report and assessment fee	\$2,900 fine	070071	01/26/07
Kemper Lloyds Insurance Company	Dallas	Charged excessive surcharges on renewal	Issue refunds of excessive charges	070082	01/31/07



InDiscipline

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Kennedy, Johnny Mike	Dallas	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Life, Accident and Health License and General Property and Casualty License revoked	070013	01/08/07
Lazorwitz, Louis Michael	Houston	Engaged in fraudulent or dishonest acts or practices; Felony conviction	General Life, Accident and Health License revoked	070015	01/08/07
Lopez, David Hurtado	Corpus Christi	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	\$71,570 restitution; General Life, Accident and Health License revoked	070018	01/08/07
Martinez, Jesse Vasquez	Sweetwater	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Life, Accident and Health License revoked	070016	01/08/07
Meritplan Insurance Company	Irvine, CA	Non-compliant rate filing; Improper charges and surcharges	\$12,500 fine	070026	01/08/07
Narvaez, Alba Mariela	Dallas	Made a material misrepresentation on a license application	Limited Lines Agent License denied	070007	01/08/07
Passport Premium Finance Corporation	Denton	Failed to timely remit an annual operations report and assesment fee	\$2,800 fine	070027	01/08/07
Pratt, James N.	Carrollton	Engaged in fraudulent or dishonest acts or practices; Unauthorized insurance	General Life, Accident and Health License and General Property and Casualty License revoked	070038	01/10/07
Roberts, Gayle Keith	Allen	Felony conviction directly related to the business of insurance; Engaged in fraudulent or dishonest acts or practices	\$57,902 restitution; General Life, Accident and Health License and General Property and Casualty License revoked	061303	12/15/06
Russell-Surles Title, Inc.	Baird	Failed to timely remit title insurance policy guaranty fees; Used unlicensed escrow officer	\$10,000 fine	070004	01/04/07
Safeco Lloyds Insurance Company	Richardson	Charged rates in excess of approved rates; Offered discounts after governing statute was repealed	\$20,000 fine	070046	01/24/07
Saunders, Robert Phillip Sr.	Beaumont	Engaged in fraudulent or dishonest acts or practices	\$7,500 fine subject to a dollar-for-dollar reduction by restitution to \$5,000; Insurance Adjuster License granted	070020	01/08/07
Saxon, Mary Lee	New Braunfels	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	\$1,523 restitution; Insurance Adjuster License revoked	070073	01/26/07
Smith, Don E.; M&D Bonding, (Inc)	Carrollton	Misappropriated or converted money belonging to an insurer or insured	\$124,464 restitution; General Property and Casualty License of Don E. Smith and General Lines Agency License of M&D Bonding, Inc revoked	070014	01/08/07
Soto, Bernaldo	Mission	Felony offense; Engaged in fraudulent or dishonest acts or practices;	General Life, Accident and Health License denied	061307	12/15/06
The Hartford Insurance Group	Hartford, CT	Allegedly Issued policy forms and endorsements prior to approval by TDI	\$10,000 fine	061271	12/11/06

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Thompson, Julius Lavon	McKinney	Acted as a fee attorney and failed to use bona fide employees as escrow officers	\$5,000 fine	070072	01/26/07
Trevino, Olga	Kyle	Failed to comply with continuing education requirements	\$1,500 fine	070028	01/08/07
USA Benefits Group, Inc.	Ft. Lauderdale, FL	Failed to timely file required annual reports; Failed to pay maintenance taxes	\$5,000 fine	061304	12/15/06
USA Services Group, Inc.	Ft. Lauderdale, FL	Acted as an agent for unauthorized entities; Failed to timely file required annual reports; Failed to pay maintenance taxes	\$25,000 fine	061306	12/15/06
Whitacre, Joyce Ann	Spring	Unauthorized insurance	\$15,000 fine; Escrow Officer License revoked; Cease and Desist Order	061273	12/11/06
Wilson, Janie Diane	Houston	Failed to comply with continuing education requirements	\$1,500 fine	061305	12/15/06
Wooley, John Earl	Arlington	Made a material misrepresentation on a license application; Criminal conduct	Adjuster License revoked; General Property and Casualty License application denied	070017	01/08/07
Yates, Rodda; Rodda Yates and Associates Insurance Agency and Mortgage, L.P.	San Antonio	Allegedly committed an act for which a license may be denied; Allowed non-licensed employees to conduct the business of insurance	\$2,500 fine; General Life, Accident and Health License granted	070044	01/22/07

Name Changes

COMPANY NAME	LOCATION	CHANGED TO	DATE OF CHANGE
Sirius America Insurance Company	Dover	Dedelos Insurance Company , Wilmington, Delaware	12/13/06
Memorial Administrators, LLC - TPA	Austin, TX	Added dba Texas Memorial Administrators, LLC	12/15/06
Ace American Lloyds Insurance Company	Irving, TX	Ace American Insurance Company of Texas , Converted from a Lloyds to a Stock P&C (12 to 07) effective 12/31/06	12/27/06
Birmingham Fire Insurance Company of Pennsylvania	Harrisburg, PA	AIG Casualty Company - effective 12/31/06	12/29/06
SQM Administrators, Inc. - TPA	Wilmington, DE	Jardine Lloyd Thompson Benefits, Inc.	01/26/07
Pacific Specialty Lloyds	Austin, TX	Pacific Property & Casualty Insurance Company , Converted from a Lloyds (12) to Stock P&C (07)	01/31/07

InLicensing

New Companies

	LOCATION	LINE	DATE LICENSED
Independent Publishers Self-Insurance Group of Texas	Houston, TX	Workers Compensation Self Insurance	12/01/06
Euler Hermes American Credit Indemnity Company (survivor of Redo-Shell)	Owings Mills, MD	Property & Casualty	12/04/06
Verlan Fire Insurance Company	Silver Spring, MD	Property & Casualty	12/04/06
Barton Creek Senior Living Center, Inc., dba Querencia at Barton Creek - CCRC	Austin, TX	Ccrc	12/12/06
NMHC Group Solutions Insurance, Inc.	Wilmington, DE	Life & Health	12/13/06
Cypress Care, Inc. - TPA	Wilmington, DE	Third Party Administrator	12/15/06
Provident Agency, Inc. - TPA	Pittsburg, PA	Third Party Administrator	12/15/06
Cooperative Mutual Insurance Company	Omaha, NE	Property & Casualty	12/18/06
Advantage Health Plans Trust	Oklahoma City, OK	Multiple Welfare Arrangements	12/22/06
KS Plan Administrators, LLC - HMO	Houston, TX	HMO	12/29/06
Aeiquicap Insurance Company	Fort Lauderdale, FL	Property & Casualty	01/02/07
Sentruiy Casualty Company	Houston, TX	Property & Casualty	01/10/07
Arthur J. Gallagher Risk Management Services, Inc. - TPA	Itasca, IL	Third Party Administrator	01/26/07
Consumers Insurance Agency, L.L.C. - TPA	Universal City, TX	Third Party Administrator	01/26/07
Group Dental Service, Inc., dba Group Dental Service Administrators, Inc. - TPA	Rockville, MD	Third Party Administrator	01/26/07
Healthnow Contractor Services, Inc. - TPA	Buffalo, NY	Third Party Administrator	01/26/07
Standard Financial General Adjustment, Inc. - TPA	Dallas, TX	Third Party Administrator	01/26/07
Western Agricultural Insurance Company	West Des Moines, IA	Property & Casualty	01/30/07
Seguros Banorte-Generali, S.A. DE C.V., Grupo Financiero Banorte	Monterrey, MX	Property & Casualty	01/31/07



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