



## INSURANCE FRAUD INVESTIGATION DIVISION

Kentucky Department of Insurance

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### *Fraud Statistics/Convictions Activity*

*May 2009*

#### Fraud Statistics

	<u>Month</u>	<u>YTD</u>
Total Referrals Received.....	72	442
Closed Referrals.....	68	376
Open Cases (Investigations-includes prior years)		238
Assigned Cases (Investigations).....	6	45
Closed Cases (Investigations).....	7	26
Closed Cases (Investigations) Exceptionally Cleared – Declined by Prosecutor.....	1	6
Charges (7 felonies).....	7	29
Convictions (5 felonies, 1 misdemeanor).....	6	37
Restitution Ordered.....	\$ 584,475.14	\$ 693,020.31

#### *Convictions Activity*

Thomas J. Childers, Karen Lynetta Fox-Burns, Shannon Ranee Hogg - Two Whitesburg area insurance agents were sentenced on felony charges after pleading guilty to helping a client defraud a workers' compensation insurance carrier. Thomas J. Childers, 60, of Hazard, and Karen Lynetta Fox-Burns, 56, of Whitesburg, originally were indicted in May 2008 on charges of mail fraud. Childers is the owner of CS&W Insurance Services Inc. in Whitesburg and Fox-Burns is a licensed agent. Childers, Fox-Burns and a CS&W customer services representative, Shannon Ranee Hogg, a resident of Whitesburg and the daughter of Fox-Burns, each pleaded guilty to a count of misprision of a felony (includes the act of concealing a felony) in United States District

Court in Lexington last week. According to court documents, Childers, Fox-Burns and Hogg helped CS&W clients John and Tena Pennington defraud workers' compensation insurance carrier Kentucky Employers' Mutual Insurance (KEMI). The group misrepresented the number of employees and the amount of payroll in John Pennington's company, ZAG Resources Inc., and its connection to another Pennington company, JZ Trucking Inc. This resulted in lower workers' comp premiums for Pennington's company. Childers, Fox-Burns and Hogg each received a two-year probation, 100 hours of community service and a fine of \$100. Childers was fined an additional \$10,000 to be paid immediately or in monthly installments of \$400.

"While we take all cases of insurance fraud very seriously, it's always a major concern when our licensees are involved. We know others in the agent community join us in our disappointment over the actions taken by these individuals," said Sharon P. Clark, DOI Commissioner.

Clark said DOI will take administrative action against Childers and Fox-Burns. Although Hogg worked at the agency, she was not a DOI licensee.

**Tena Pennington** - A Stanton woman pleaded guilty to a felony count of mail fraud in United States District Court in Lexington after she, her husband and three Whitesburg area insurance agency employees gave false information to a workers' compensation insurance carrier. Tena Pennington, 44, will report to prison on June 30 and will serve a 15-month sentence. In addition, she must pay \$272,362 in restitution to Kentucky Employers' Mutual Insurance. The case was investigated by the Kentucky Department of Insurance (DOI) Fraud Investigation Division, the United States Postal Inspection Service and the Internal Revenue Service Criminal Investigation Division. According to court documents, Tena Pennington and John Pennington, her husband, worked with employees of CS&W Insurance to misrepresent the number of employees and the amount of payroll in John Pennington's company, ZAG Resources Inc., and its connection to another Pennington company, JZ Trucking Inc. This resulted in lower workers' comp premiums for John Pennington's company.

**James M. Pullen (Triple Crown Financial Group (TCFG))** - James Pullen, 43, of Alpharetta, Ga., will spend one year and eight months in prison for diverting more than \$300,000 while running his health care insurance brokerage business, Triple Crown Financial Group. U.S. District Court Judge Danny Reeves also ordered Pullen serve three years on probation and pay \$312,113.14 in restitution to the victims of his crime. Pullen previously admitted the theft and pleaded guilty to one count of wire fraud. He faced up to 20 years in prison. Pullen marketed and sold a self-funded health care benefit program to employers, according to court records. In 2003 and 2004 he diverted

money he collected in health care contributions from his clients to pay for his own business' bills. He had originally stolen more than \$500,000 but paid back a significant amount of the money before he was sentenced, according to federal prosecutors. While calling it a serious crime, Reeves said he recognized that Pullen had no previous criminal history, had strong family ties and had repaid a portion of the money. Unlike in Kentucky state courts, where financial crimes rarely result in actual prison time because of budget restraints, Pullen can't be paroled. At best, he can earn 15 percent off his sentence for "good time credit." The case was investigated by the U.S. Department of Labor and the Kentucky Department of Insurance. "While the health-care aspects of this case were somewhat complex, in the end there was a very simple principle involved: It's against the law to steal other people's money and use it for selfish purposes," Assistant U.S. Attorney Ben Dusing said. "As our track record demonstrates, the simple truth is that if you commit a financial crime in the Eastern District of Kentucky, you will be prosecuted by federal authorities to the fullest extent of the law."

**Michael A. Rollins** – On 9/15/08, Rollins committed the offense of Forgery 2<sup>nd</sup>. He was issued a citation on 8/17/08 by the Lexington Police Department for operating on a suspended operator's license, no insurance-no proof, and possession of a suspended operators' license, and was scheduled to appear in court on 9/15/08. Rollins purchased vehicle insurance on 8/18/08 through 2/18/09, and upon receiving his proof of insurance, forged and altered the original Commonwealth of Kentucky Proof of Insurance Card, Kentucky Farm Bureau Mutual Insurance Company, to reflect his policy period was 7/18/08 through 1/18/09. He then presented this forged proof of insurance card to the Fayette County Judge on 9/15/08. On 2/16/09, Rollins was charged with Forgery 2<sup>nd</sup> in Fayette District Court. On 4/22/09, he entered a guilty plea to the amended misdemeanor charge of Forgery 3<sup>rd</sup>, and was sentenced to 180 days with 15 days to serve in the county jail on weekends, pay court costs, and remain on probation for two years.