

Austin Daily Herald

Austin bail bond company could face more fraud charges

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An Austin-based insurance company could lose its license, face a large fine and have all or some of its insurance contracts in the state canceled, according to a Minnesota Department of Commerce release issued Thursday.

On Monday, the Department of Commerce charged Minnesota Surety & Trust Co. (107 West Oakland Ave.) with altering files in anticipation of a regulatory exam by the Colorado Division of Insurance. The company allegedly made at least 4,000 false entries in books, reports and statements in Colorado in order to deceive examiners and make them believe the company was in compliance with the law.

That situation in Colorado prompted the order in Minnesota, according to Nicole Garrison-Sprenger, communications director with the Minnesota Department of Commerce.

“Minnesota Surety’s allegedly fraudulent and deceptive behavior in Colorado makes the company unfit to do business in Minnesota,” said Minnesota Commerce Commissioner Mike Rothman. “The lengths to which executives at this company went to cover their tracks are shocking.”

According to the department’s statement of charges, in preparation for the Colorado regulatory exam scheduled for February 2011, Peter Plunkett, president of Minnesota Surety and a member of the board, devised an intricate scheme to doctor his company’s records to make them look whole and in compliance with the law.

Plunkett traveled to Colorado in early January 2011, the department alleges, to visit with an executive from a similar company, Pioneer General Insurance Co., that had recently been fined \$533,000 following an exam by the Colorado Division of Insurance. That executive, Dave Hyatt, allegedly gave Plunkett the examination report that outlined Pioneer’s violations.

Concerned about whether his company could afford a similar fine, Plunkett, the department alleges, circulated the Pioneer exam report to Minnesota Surety agents working in Colorado. From there a “market conduct do list” was created to retroactively bring Minnesota Surety’s files into compliance, according to the charges.

Plunkett allegedly created four sets of ink stamps and in January and February 2011, sent two agents, including Randall Eason, to Colorado to help agents there alter bail bond documents in advance of the Colorado market conduct exam. Though the forms held by Minnesota Surety were altered so they appeared to comply with the law, the department alleges, the copies retained by customers who secured bail bonds from Minnesota Surety lacked the required stamping.

According to the Department of Commerce, in his “market conduct do list” Plunkett allegedly said, “I know it is after the fact, but it is very unlikely that the examiners will get a hold of the consumer’s receipts to compare them to.”

Minnesota Surety paid a \$200,000 fine for the alleged acts in Colorado.

According to Cameron Lewis, Colorado Commerce's director of consumer education, 11 employees or officers of Minnesota Surety were subpoenaed and testified that numerous documents had been altered. According to Lewis, more than 4,000 documents were altered with stamps that made them seem like they were stamped in 2010 instead of 2011.

Court documents explain some of these stamps as "translation stamps," which signify that a non-English speaker had documents translated into his or her native language prior to signing. Several documents were stamped after the fact to show that translation had been used.

Plunkett told the Herald in May that about 90 percent of the company's Colorado consumers were English speakers and did not require translation.

"We were merely trying to put the stamps on the forms so that they had the proper language on them that the statute required," he said at the time.

None of the document alterations were meant to defraud consumers or deceive the Colorado DOI, Plunkett said in May.

"What (the DOI) is mad about is they thought we were trying to deceive them by updating our records," he said at the time. "The problem with the Colorado regulatory scheme is that it is so confusing that no one understands how to comply with the laws. This is not about consumer protection. It's only about fining to raise money."

A prehearing conference will be held on Oct. 4 at the Office of Administrative Hearings in St. Paul. After the administrative law judge issues his opinion in the case, it will be sent back to the Department of Commerce where a final order will be issued and penalties may be assessed.

The size of a potential fine in Minnesota won't be determined until after the hearing, although Minnesota Surety could face up to a \$10,000 fine per infraction, according to Garrison-Sprenger.

An employee at Minnesota Surety said Plunkett is declining to comment.