

U.S. Department of Justice

*United States Attorney
Northern District of California*

*11th Floor, Federal Building (415) 436-7200
450 Golden Gate Avenue, Box 36055
San Francisco, California 94102 FAX:(415) 436-7234*

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**FORMER PRESIDENT OF INTERSTATE SERVICES INCORPORATED
SENTENCED TO 41 MONTHS FOR HEALTH CARE FRAUD**

Man Collected Over \$ 2.8 Million in Insurance Premiums Without Providing Legitimate Insurance Coverage

The United States Attorney's Office for the Northern District of California announced that John B. Hyde, the president of Interstate Services Incorporated (ISI), was sentenced to 41 months in prison today before Judge Phyllis Hamilton in San Francisco federal court. Mr. Hyde was sentenced to prison for his role in a scheme in which he defrauded thousands of people throughout the United States. The victims purchased health insurance plans from Mr. Hyde's company, only to discover after illnesses or accidents that their health insurance was essentially worthless and that the premiums they paid had not been used as Mr. Hyde had promised. Mr. Hyde pleaded guilty to one count of health care fraud today pursuant to a plea agreement.

Mr. Hyde, 67, of Novato, was charged in a 64-count indictment on January 22, 2002, with nine counts of mail fraud, one count of health care fraud, and 52 counts of money laundering. The indictment's last count sought forfeiture of Mr. Hyde's then-home in Stinson Beach, California.

U.S. Attorney Kevin V. Ryan said, "Health care fraud can have a devastating impact on victims in vulnerable circumstances by depriving them of health insurance coverage in their time of need. Our office is committed to vigorously enforcing the laws which protect the public from those who exploit such victims for their own gain. This sentence serves as a deterrent and helps to maintain the integrity and confidence of our health insurance system."

In pleading guilty, Mr. Hyde admitted that he was president of ISI which operated in Novato. ISI marketed and sold a health plan known as the ERISA Employee Health Benefit Plan or the ERISA Advantage. The health plan was marketed and sold to thousands of people throughout the country who believed that they were covered by a legitimate health plan.

According to the charges, Mr. Hyde, in order to persuade people to choose the ERISA Advantage as their health plan, promised that about 30 percent of the premiums collected would go into specially established trust accounts at Riggs Bank in Washington, D.C. The rest of the premiums (70 percent) would be used to purchase a group health insurance policy from an established, highly rated insurance company based in the United States.

According to the charges, Mr. Hyde and ISI collected the premiums but deposited only a token amount into the trust accounts at Riggs Bank. Mr. Hyde used much of the money to pay his personal expenses, provide salaries for his family members, lease expensive cars, buy football tickets, pay office expenses, and pay commissions to so-called promoters who helped market the fraudulent plan.

In pleading guilty, Mr. Hyde also admitted that he failed to purchase the promised group health insurance policy from an established American insurance company. The only insurance coverage associated with the scheme was provided by Colonnade Insurance, a company based in Aruba that was not admitted to do business in the United States, had no rating, and had been in business for less than two years. According to court filings, the principal of Colonnade was a convicted felon. As a result of Mr. Hyde's scheme, thousands of people were left without real health coverage.

The indictment alleged that Mr. Hyde and ISI operated the fraudulent insurance scheme from 1997 to 1998. In other court filings, however, the United States alleged that Mr. Hyde had operated similar schemes under different names for more than 15 years. Some of these plans were known as the Scotsman Benefit Trust, Benton & Hyde Insurance Services, Benefit Data Administrators, and Thorndyke International. According to the government's court filings, Mr. Hyde and his various companies were repeatedly sued and sanctioned by regulators.

In sentencing Mr. Hyde, the court found that Mr. Hyde had engaged in more than minimal planning, exploited victims that he knew or should have known were especially vulnerable, and abused a position of trust as ISI's fiduciary. The court ordered Mr. Hyde to pay \$1.3 million in restitution.

The prosecution is the result of a multi-year investigation by agents of the Internal Revenue Service-Criminal Investigation Division; the U.S. Department of Labor's Office of the Inspector General and Employee Benefits Security Administration; and the Federal Bureau of Investigation. Assistant U.S. Attorney Haywood S. Gilliam, Jr. and former Assistant U.S. Attorney Matthew J. Jacobs prosecuted the case.