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FOR IMMEDIATE RELEASE

September 30, 2004

FORMER PRESIDENT OF INTERSTATE SERVICES INCORPORATED PLEADS GUILTY TO HEALTH CARE FRAUD

The United States Attorney's Office for the Northern District of California announced that John B. Hyde, the president of Interstate Services Incorporated (ISI), pled guilty late yesterday to 64 counts of health care fraud, mail fraud and money laundering, based on a scheme in which Mr. Hyde 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 been diverted to benefit Mr. Hyde and his family.

Mr. Hyde, age 66, 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 Stinson Beach home. ISI, Mr. Hyde's company, was based in Novato, California.

Yesterday, Mr. Hyde pled guilty before Judge Phyllis Hamilton in San Francisco federal court to all 64 counts of the indictment. The government made no promises or concessions to Mr. Hyde to induce him to plead guilty, and he pled guilty without any plea agreement.

"Health care fraud can have a devastating impact on victims in untenable circumstances by depriving them of health insurance coverage in their time of need," said Kevin Ryan, U.S. Attorney for the Northern District of California.

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 failed to deposit them into the trust accounts at Riggs Bank. Instead, Mr. Hyde used the money to pay his personal expenses, salaries for his family members, lease expensive cars, buy football tickets, pay offense expenses, and to pay commissions to the promoters of the scheme.

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 allegations made in court documents, the principal of the Colonnade Insurance Company 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 fraudulent 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. These earlier plans were associated with other questionable insurance companies based in the British Virgin Islands, Barbados, Antigua and Bermuda. According to the government's court filings, Mr. Hyde and his insurance companies were repeatedly sued and sanctioned by regulators.

The money laundering charges relate to a series of financial transactions in which Mr. Hyde moved ill-gotten proceeds of the health care and mail fraud scheme in and out of accounts at WestAmerica Bank and did so for the purpose of promoting his illegal program.

The maximum statutory penalty for each count in violation of mail fraud is five years in prison, three years of supervised release, a $250,000 fine and restitution. The maximum statutory penalty for health care fraud is 10 years in prison, three years of supervised release, a $250,000 fine and restitution. The maximum statutory penalty for money laundering under 18 U.S.C. § 1956 is 20 years in prison, three years of supervised release, and a $500,000 fine or twice the value of the laundered funds, whichever is greater. The maximum statutory penalty for each count of money laundering under 18 U.S.C. § 1957 is 10 years in prison, three years of supervised release, and a $250,000 fine or twice the value of the laundered funds, whichever is greater. However, Mr. Hyde's sentence may be dictated by the Federal Sentencing Guidelines, and will be imposed in the discretion of the Court.

The sentencing of Mr. Hyde has been scheduled for January 12, 2004 at 2:30 p.m. before Judge Phyllis Hamilton in San Francisco federal court.

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, the Employee Benefits Security Administration, and the Federal Bureau of Investigation. Haywood Gilliam and Matthew J. Jacobs are the Assistant U.S. Attorneys who have prosecuted the case.