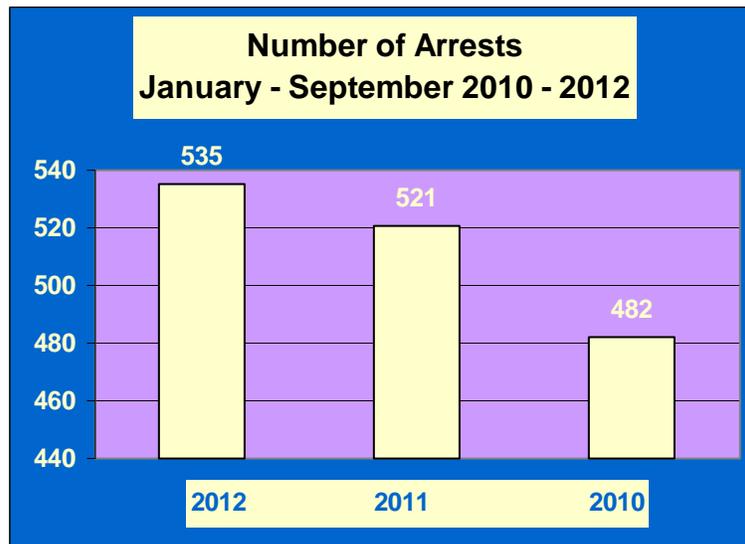


## Arrests/Convictions/IFBs

January – September 2010 – 2012

---

- Insurance Frauds Bureau investigations resulted in 535 arrests for the first three quarters of 2012, compared with 521 for the corresponding period in 2011 and 482 in 2010.



The following case summaries are among those that resulted in arrests during the first three quarters of 2012:

- An investigation by the Insurance Frauds Bureau and the State Insurance Fund led to the arrest on 1/9/12 of a Suffolk County contractor who had applied for and was issued a workers' compensation insurance policy by the State Fund. On the application, he reported that his company had a payroll of \$10,000 and no employees with the exception of himself as a part-time worker. However, an audit of another State Fund policyholder revealed a payment of \$190,350 to the defendant's business. In addition, sign-in documents at a Long Island business at which the contractor had done roofing work showed the signatures of three workers from the contractor's company on one occasion and "a crew" on another occasion. As a result of the fraud, the contractor avoided paying the State Fund \$37,753 in premiums owed.
- In a follow-up to a November 2011 workers' compensation fraud sweep in ten upstate counties, two suspects were arrested on 3/15/12, bringing the total number of arrests in this case to 21. The two most recent suspects were charged with offering a false instrument for filing for allegedly submitting false reports regarding an incident involving a co-worker arrested in the November sweep. The previously arrested

suspect, a teacher aide, claimed she broke her ankle on the job when the accident actually occurred at her home. The Incident Report stating that the injury happened at work was completed and signed by the suspects arrested on 3/15/12. The arrests were the result of an investigation by the Insurance Frauds Bureau and the Workers' Compensation Board's Office of the Fraud Inspector General with the assistance of the State Insurance Fund.

- An investigation by the Insurance Frauds Bureau and the U.S. Attorney's Office resulted in the 4/11/12 arrest of the defendant in this case for allegedly submitting 14 forged Variable Annuity Surrender Request forms in the name of his deceased grandmother in order to withdraw \$37,175 from her annuity account. He had the money electronically transferred to his Internet bank account where he could easily make withdrawals. When interviewed during the investigation, the defendant admitted the fraud, stating that he did it in order to pay for his drug habit.
- An investigation by the Insurance Frauds Bureau and the Manhattan DA's Office resulted in the arrest on 5/24/12 of three suspects for allegedly submitting hundreds of fraudulent claims for mental health treatments they never received. Two of the defendants were policyholders of a mental health insurer – OptumHealth Behavioral Solutions (OHBS) – that requires claimants who receive treatment from out-of-network providers to pay for those treatments and then file claims with OHBS for reimbursement. From June 2009 to September 2011, Defendant #1 in this case, a practicing psychiatrist, filed 206 claims for treatments she never received. In addition, she filed 19 legitimate claims for treatments but inflated the amounts she paid to her doctors. She was reimbursed a total of \$32,428 based on the fraudulent and inflated claims. Defendant #2 was accused of submitting more than 1,000 claims to OHBS from July 2010 to November 2011 seeking reimbursement for \$257,000 in mental health services purportedly provided to her and her family by a doctor in Brooklyn. Investigators learned that this defendant allegedly fabricated both the services and the doctor. From 2006 to 2011, Defendant #3 filed more than 1,700 claims with her employer for mental health treatments she never received and 38 legitimate claims in which she inflated the amounts paid to her doctor. She was paid \$353,958 on the false and inflated claims. Moreover, she tried to steal another \$33,000 by submitting several claims multiple times. Her employer fully funds its own employee health plan and was, therefore, liable for the financial loss.
- An investigation by the Drug Enforcement Administration Tactical Diversion Task Force led to the arrest on 5/22/12 of 14 defendants charged with participating in the distribution of illegally diverted prescription drugs oxycodone and oxymorphone. From April 2011 through at least May 2012, they worked together to sell tens of thousands of pills on the streets of Upper Manhattan. During the execution of search warrants at five locations in the Bronx and Upper Manhattan, approximately 9,000 of the prescription pills, \$24,000 in cash and hundreds of bottles of HIV medications were recovered. Of the 14 defendants, 13 are currently in custody and one remains at large. This ongoing investigation was conducted by the Downstate Office of the Task

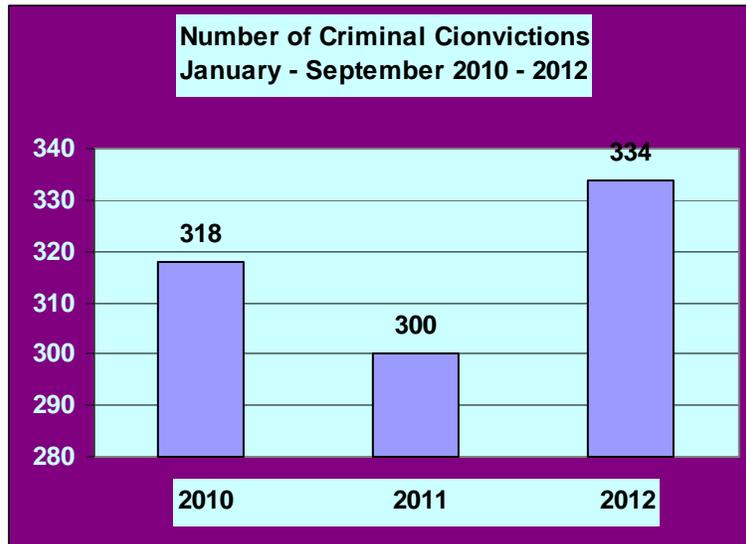
Force and is being handled jointly by Task Force members including the DEA, the U.S. Attorney for the Southern District, the NYPD and the Insurance Frauds Bureau.

- An investigation by the Insurance Frauds Bureau led to the arrest of a saleswoman for Oxford Health Care for her participation in a scheme to fraudulently obtain sales commissions. Investigators learned that during 2008 and 2009, the defendant filed claims for sales commissions by falsely stating that she had sold certain Oxford products when, in fact, those products had been sold by one of her co-workers. She was able to carry out the scheme by gaining access to a restricted Oxford database that provided detailed information about each salesperson's monthly sales. She used this information to file the false claims and over the two-year period collected \$24,053 in commissions to which she was not entitled.
- On 7/25/12, a federal appeals court reinstated arson and insurance fraud convictions against Jeffrey Truman Sr. in a case involving a fire that destroyed his commercial building on 11/12/2006. The loss was listed at \$8 million. Truman was convicted by a federal grand jury in 2010 but the convictions were overturned after the trial by a U.S. District judge who cited insufficient evidence and prosecutorial misconduct. However, a three-judge panel on the 2<sup>nd</sup> Circuit disagreed and sent the case back to the U.S. District judge for sentencing. Jeffrey Truman Jr. testified at his father's trial that Truman Sr. had ordered him to set the fire and provided him the means to do it. He pleaded guilty to setting the fire and served two years in prison. That trial ended when a Madison County Court judge dismissed the charges because of insufficient evidence. In the federal trial, Truman Jr. refused to answer some questions about his father's involvement. The appeals court ruled that even without Truman Jr.'s testimony, the prosecution presented enough evidence to prove his father's guilt. This case was investigated by the Insurance Frauds Bureau, the Oneida City Police and Fire Departments, the Madison County DA's Office, the Madison County Multi-Agency Task Force, the State Police, the Madison County Sheriff's Department and the New York State Office of Fire Prevention and Control.
- An investigation by the Insurance Frauds Bureau, the FBI and the IRS led to the 8/23/12 arrest of Cynthia Morgan, an upstate resident, who pleaded guilty to health care fraud and mail fraud. Her plea is part of an ongoing investigation into a staged-accident scheme involving a U-Haul truck in Utica, N.Y. She is scheduled to be sentenced on 12/21/12 and is expected to pay \$211,249 in restitution to Progressive and Mutual of Omaha Insurance Companies.
- A retired optician and the manager of a vehicle repair shop were accused of participating in a scheme to collect an insurance payout based on a fraudulent claim. The retired optician submitted a \$15,000 claim for damage to his tractor to New York Central Mutual Insurance Company, providing three written statements reporting that the tractor was damaged while on his trailer. If that were the case, the cost of repairing the damage would be covered by his insurer. The repair shop manager supported the claim in a written statement, reporting that he had found the tractor on the trailer and that the optician himself had brought it into his shop for repair.

However, the two men were arrested on 9/10/12 when investigators learned that the tractor was actually damaged when the owner was digging with a back hoe on his property. The repair shop owner was present when that damage occurred and it was he who transported the damaged tractor to his shop on the shop's truck. Both suspects were charged with insurance fraud and falsifying business records.

- A Rochester man reported to State Farm Insurance Company on 2/20/12 that his home had been burglarized and items worth \$15,899 were stolen. In support of his claim, he submitted a proof-of-loss listing of the items and several receipts. One receipt from Best Buy listed \$2,019.27 worth of electronics and video games. However, investigators confirmed that the items reported as purchased at Best Buy had in fact been returned to Best Buy for refund prior to the date of loss. The defendant was arrested on 9/8/12 and charged with insurance fraud, attempted grand larceny and falsifying business records.

- 
- The number of criminal convictions obtained by prosecutors in Insurance Frauds Bureau cases totaled 318 for the first nine months of 2012, up from 300 during the same period in the prior year.



- 
- The Insurance Frauds Bureau received 18,682 reports of suspected fraud during the January – September 2012 period, compared with 17,809 during the same period the year before.

Number of Suspected Fraud Reports  
January - September 2010 - 2012

