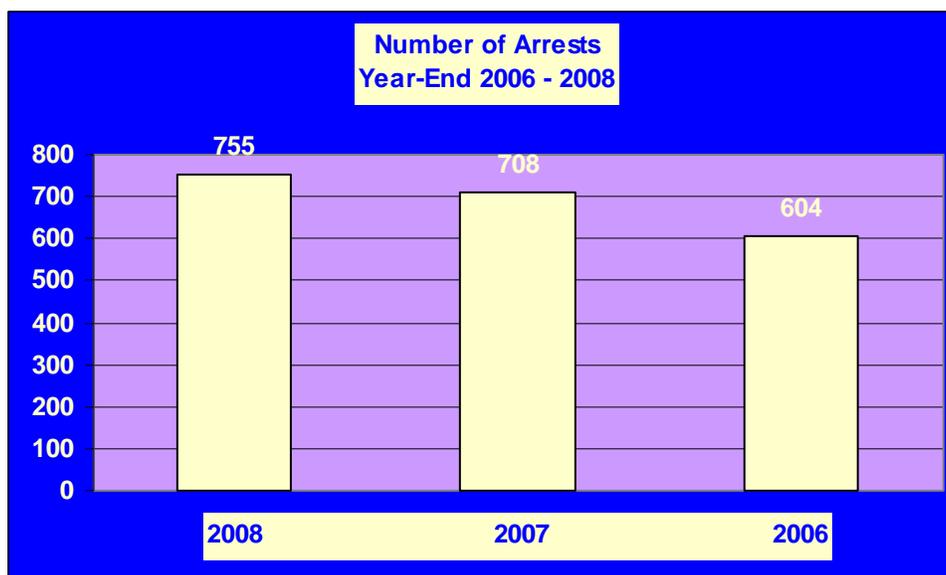


Arrests, Convictions and Fraud Reports

Year-End 2006 – 2008

- Investigations by the Frauds Bureau resulted in 755 arrests in 2008, the highest number recorded since 2004.



Among the many investigations brought to successful conclusion during the past year are the following:

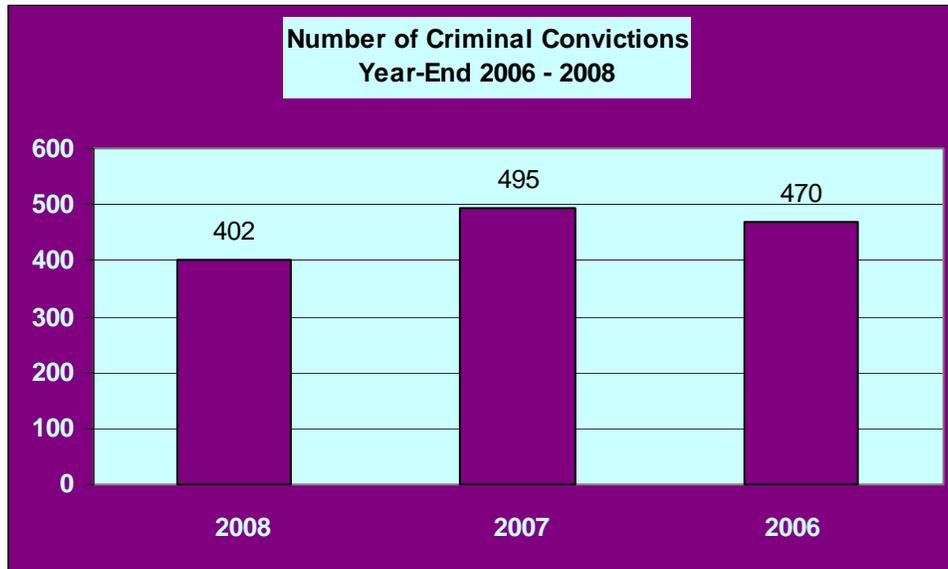
- Five insurance adjusters and four contractors were arrested on 12/2/08 for their participation in a kickback scheme involving inflated insurance claims on properties in Manhattan, Brooklyn and Staten Island. Four of the adjusters admitted accepting cash payments, as well as gifts and other gratuities, from the contractors in return for approving inflated repair estimates submitted by the contractors. Investigators said the contractors inflated the cost of repairs, kept a portion of the proceeds and gave part to the adjusters. In some cases, adjusters accepted such gifts as golf outings, golf equipment or dinners. The adjusters would then approve the inflated estimates as reasonable and pass them for payment to Chubb & Son, a division of Federal Insurance Company. Three of the adjusters who were employed by Chubb pleaded guilty to felony criminal bribe receiving and insurance fraud and were each sentenced to five years' probation, in addition to the following forfeitures: Stephen Curtis, \$70,000; James Cassino, \$60,000; and John Occhiogrosso, \$13,000. A fourth adjuster, Joseph Fonte, is a public adjuster with no affiliation to Chubb. He was given

a one-year conditional discharge and ordered to make a \$5,000 forfeiture after pleading guilty to two counts of commercial bribery. The fifth adjuster, John Brady, also employed by Chubb, pleaded guilty to commercial bribe receiving and is scheduled for sentencing on 1/13/09. The contractors sentenced and the forfeitures they were ordered to make are Arie Malina, \$75,000 and five years' probation for pleading guilty to insurance fraud and commercial bribery; Fabio Scala, \$25,000 for pleading guilty to insurance fraud and commercial bribery; and Sergio Almada, condition discharge for pleading guilty to falsifying business records. The fourth contractor, Joseph Trovato, pleaded guilty to insurance fraud and commercial bribery. His sentencing was adjourned until 2/3/09. The four adjusters hired by Chubb had been employed previously by another insurer. Stephen Curtis resigned when the investigation began. John Occhiogrosso, James Cassino and John Brady were fired. The kickbacks – which are believed to have totaled an estimated \$1 million – involved claims on about ten properties. In addition to the court-ordered forfeitures, contractors have already returned \$600,000 to Chubb. The nine men were arrested after Chubb noticed irregularities in claims involving the adjusters and contractors. At the same time, the insurer had been contacted by another contractor who was not implicated in the schemes. That contractor complained that he had been approached by Curtis who wanted “ten points,” or \$3,750, as a kickback for a \$37,500 repair project he was working on at a Park Avenue condominium. Chubb asked the Frauds Bureau and the Manhattan DA's Office to look into the case after it had conducted its own investigation that included re-inspecting the properties tied to the claims.

- A federal grand jury in Buffalo returned a 46-count indictment on 9/24/08 charging two downstate women with mail fraud in a “rate evasion” scheme to defraud AIG and Progressive Insurance Companies. Evidence gathered in this case indicates that the pair counseled and assisted several New York City-area residents in obtaining lower cost auto insurance by fraudulently claiming to live in Western New York. Auto insurance premiums are significantly lower in Western New York than in the downstate area. The indictment also alleged that the defendants provided the New York City residents with UPS Store addresses in Western New York that they fraudulently claimed were their residences. As a result, AIG and Progressive sold insurance policies at Western New York rates, rather than the truly applicable New York City rates. The indictment was the culmination of an investigation by the Frauds Bureau, the U.S. Postal Inspection Service and the National Insurance Crime Bureau.
- A 16-month undercover investigation, dubbed “Operation Disappearing Act,” ended with charges brought against 61 suspects in at least four states – New York, New Jersey, Maryland and Pennsylvania – and the seizure of 70 vehicles worth \$1.7 million. Among the 61 suspects charged were a New York City police officer, a director of security at a city hospital and an employee of the Homeland Security Department. Owners paid a middleman to take their cars to a garage in Queens where they purportedly were stripped for parts. Neither the car owners nor the middlemen were aware that the garage was run by NYPD detectives working undercover. The middlemen returned the keys to the owners who then reported their cars stolen and filed fraudulent claims for the insurance payout. Ten of the suspects were not in

custody as of 1/17/08. However, six were subsequently arrested and 15 additional vehicles were recovered. The investigation was conducted jointly by the Frauds Bureau, the NYPD's Auto Crime Division and the Queens DA's Office.

- The number of criminal convictions obtained by prosecutors in Frauds Bureau cases totaled 402 at year-end 2008.



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- The Frauds Bureau received 23,054 reports of suspected fraud during 2008, up slightly from the 22,079 received in 2007. This is the first increase in reports received since 2003.



- The Frauds Bureau's Web-Based Case Management System, known as FCMS, became fully operational in the first quarter of 2007. Approximately 90% of the Bureau's fraud reports (IFBs) were electronically transmitted and received remotely from insurers in 2008. Insurers gain access to FCMS after obtaining secure accounts through the Department portal. Once the IFBs are received, they are automatically routed to the appropriate supervisor for review and assignment to an investigator.

Insurers benefit from automatic acknowledgement of receipt of fraud reports, automatic notification of case assignment and eventual case disposition. Insurers also benefit from online help screens and an online manual of operations, as well as search and cross-reference features. Bureau staff will continue to monitor the system and make improvements and adjustments as necessary.