

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

George E. Pataki
Governor

Howard Mills
Superintendent

January 15, 2006

To the Governor and the Legislature:

I am pleased to submit the Annual Report of the Superintendent of Insurance on the operations of the Insurance Frauds Prevention Act and the activities of the Insurance Frauds Bureau during 2005. The report chronicles a number of significant achievements over the past year and documents the Bureau's enduring commitment to the fight against insurance fraud in New York State.

The Frauds Bureau posted 753 arrests during 2005. Multi-agency investigations with law enforcement agencies on the federal, state and local level have become commonplace, and the Bureau remains committed to these collaborative law enforcement alliances as we work to eliminate insurance fraud in this State.

The Bureau's aggressive anti-fraud efforts over the past several years that began to bear fruit in 2004 continued throughout 2005. New York's drivers were the beneficiaries of these efforts, as most major auto insurers reduced their rates, saving policyholders more than \$400 million in auto premiums.

We are particularly proud that the Governor's Office of Employee Relations recognized these efforts by honoring a team of 15 staff members from the New York Insurance Department and the New York State Division of Criminal Justice Services with the agency's 2005 *Work Force Champions Award*. Members of the Insurance Department's Frauds and Property Bureaus and our Office of General Counsel were recognized for *Operation Auto Rates*, a multi-faceted strategy to reduce auto premium rates. The strategy included greater cooperation and collaboration by the Frauds Bureau with the police and district attorneys in aggressively fighting fraud on the local level, and regulatory changes including the implementation of cost-cutting Regulations 68 and 83. The Department held dozens of meetings with major auto insurers to review their rate structures in the face of significant declines in losses in the auto insurance market. As a result of the team's hard work and perseverance, nearly 70% of all New York drivers are expected to see a decrease in their auto premiums.

In November, I called on the New York State Assembly to pass tougher no-fault auto fraud legislation and build upon Governor Pataki's success in fighting insurance fraud across the State. The passage of two measures is particularly important – one aimed at those who send individuals to unethical health care providers and attorneys, and the other targeting individuals who stage auto accidents – and would build on the dramatic auto rate reductions occurring statewide.

We welcome the opportunity to continue to serve you and the people of New York State.

Sincerely,
Howard Mills
Superintendent of Insurance

The Annual Report
to the Governor
and the Legislature
of the State of New York
on the Operations
of the Insurance Frauds Prevention Act

(Article 4 of the Insurance Law)

Table of Contents

	Page
I. 2005 Highlights	1
II. The Insurance Frauds Bureau	2
III. Operational Overview	
A. Administration	3
B. The Staff	3
C. Investigations	4
D. Arrests	4
E. Fines	5
F. Training/Continuing Education	5
G. Civil Enforcement	6
H. Fraud Prevention Plans/Public Awareness Programs	6
IV. The Year in Review	
A. Major Cases	7
B. Staff Recognition Awards	15
C. Foreign Delegations	17
D. Partnering with Prosecutors	18
E. Moving Up	18
F. Upstate Seminars	18
G. World Trade Center Update	19
V. Directions for 2006	
A. Web-Based Case Management	19
B. Audits of Insurer Special Investigations Units	19
C. Workers' Compensation Fraud Seminars	19
VI. Legislation	21
VII. Appendices	23

I. Insurance Frauds Bureau 2005 Highlights

In October, six members of the Frauds Bureau's No-Fault Unit were part of a 15-member team that received a Governor's Office of Employee Relations 2005 Workforce Champions Award for their successful efforts in "Operation Auto Rates," a multi-faceted strategy to reduce auto premiums in New York State. New York drivers saved more than \$400 million in auto premiums.

The Frauds Bureau recorded 753 arrests during 2005, with stepped-up collaborative law enforcement alliances on the federal, state and local levels.

An investigation by the Frauds Bureau and other members of the Federal Health Care Task Force led to the arrest of 42 suspects in a frauds sweep that took place in both New York City and the Buffalo/Niagara area. The suspects, who have all pled to charges, were involved in a series of staged accidents in Western New York.

The Frauds Bureau and the Queens District Attorney's Office shared an award from the New York State Police in recognition of their efforts in a three-year investigation called "Operation Crash Course." The case resulted in the arrest of 67 individuals and corporations for their participation in a major no-fault ring.

The Frauds Bureau, in conjunction with the New York Insurance Association and the Workers' Compensation Board Inspector General's Office, conducted a seminar for the Business Council of New York State in October about application fraud, premium fraud and other problems associated with workers' compensation insurance. Based on feedback from the Council, a series of seminars is planned throughout 2006 to heighten the business community's awareness about workers' compensation fraud.

The Frauds Bureau participated in a joint three-year investigation that led to the arrest or indictment of 6 corporations and 28 people, including four doctors and a dentist. As a result of this investigation, a major medical mill in Westchester County that allegedly defrauded insurance companies of more than \$12 million was shut down.

The National Insurance Crime Bureau presented a Certificate of Recognition to Senior Investigator Gary Anderson at their Annual Award Ceremony in December. He was honored for his efforts and commitment to the detection and prevention of insurance fraud.

The Insurance Department for many years has welcomed foreign delegations to exchange ideas regarding insurance regulation. During 2005, members of the Frauds Bureau shared fraud-fighting techniques with groups visiting from Russia, Australia, Korea, Central Asia, India and China.

II. The Insurance Frauds Bureau

Team building has long been a hallmark of the Frauds Bureau and the tradition continued in 2005. Collaborative law enforcement alliances with agencies on the federal, state and local levels resulted in successful investigations, arrests and convictions throughout the State over the past year.

- **Attorney General as Special Prosecutor** – In 2001, Governor Pataki appointed the Attorney General as Special Prosecutor for insurance fraud on the State level and directed the Insurance Department to authorize the Special Prosecutor to undertake investigations and prosecutions directly. Since that time, Frauds Bureau investigators and the AG’s no-fault team have met regularly and developed a strategy for partnership and cooperation in the investigation of auto insurance fraud cases.

The Frauds Bureau and the AG’s Office teamed up in a number of investigations during the past year. A major joint investigation led to the arrest in November of two doctors, a lawyer and five other defendants on charges of enterprise corruption, money laundering and insurance fraud for their participation in a no-fault fraud scheme in Queens. This case and many other significant investigations conducted during 2005 are summarized in Section IV of this Report.

- **Other Multi-Agency Investigations** – The statewide approach the Bureau takes in combating insurance fraud was reflected in the number of joint investigations conducted during 2005. Bureau staff worked with district attorneys’ offices and local police and fire departments from one end of the State to the other. We also teamed up with the State Insurance Fund, the Workers’ Compensation Fraud Inspector General’s Office, the Department of Motor Vehicles, the New York Auto Insurance Plan and the State Police to thwart those who would commit insurance fraud of all types. In addition, we partnered with the U.S. Postal Inspector’s Office, the U.S. Departments of Labor and Education and the Bureau of Alcohol, Tobacco, Firearms and Explosives on the federal level.

In one such joint investigation, 15 suspects – including four doctors, a dentist, a psychologist and an acupuncturist – and six companies were indicted for their roles in a no fault scam that defrauded more than 60 insurers of millions of dollars in fraudulent billings over a ten-year period. The Frauds Bureau pooled resources with the Manhattan and Brooklyn DAs’ Offices, the NYPD’s Fraudulent Accident Investigation Squad and its Transit Bureau, New York City Transit’s Special Investigations Unit, the National Insurance Crime Bureau, the New York State Department of Education’s Office of the Professions, Chase Manhattan Bank and the Special Investigations Units of both GEICO and St. Paul Travelers Insurance Companies in this 18-month-long investigation.

- **Task Force/Working Group Participation** – The Frauds Bureau is an active participant in numerous task forces and working groups designed to foster commitment, cooperation and communication among the many agencies across the State that share similar goals. Participation provides opportunities for information sharing, networking and honing

investigative skills. Among the groups in which Bureau staff participated during 2005 are the following:

- The Brooklyn Automobile Insurance Task Force
- The Rockland County Auto Crime Task Force
- The Nassau County Auto Insurance Fraud Task Force
- The Western District of New York Health Care Task Force
- The Capital District Auto Crime Task Force
- The Capital District Health Care Fraud Working Group
- The Capital District Federal Financial Crime Task Force
- The Central New York Financial Crimes Task Force
- The Monroe County Auto Crime Task Force
- The Onondaga County Auto Crime Task Force
- The Rochester Arson Task Force
- The Western New York Inter-County Arson Reduction Usernet System
(Project ICARUS)

III. Operational Overview

A. Administration

The Frauds Bureau was established by an act of the Legislature in 1981 as a law enforcement agency within the New York State Insurance Department. The Bureau's primary mission is the detection and investigation of insurance fraud and the referral for prosecution of persons or groups that commit acts of insurance fraud. The Bureau is headquartered in Manhattan, with seven additional offices across the State: Brooklyn; Mineola; Buffalo; Rochester; Syracuse; Oneonta and Albany. A full list of office locations, including addresses and telephone and fax numbers appears in the Appendices to this Report.

B. The Staff

The Director is responsible for all Bureau operations. The Deputy Director and the Deputy Director/Counsel report to the Director. In addition, the Bureau's Assistant Director of Research reports to the Director and the Deputy Director; and the Training Office reports to the Chief Investigator.

Bureau staff consists of 34 investigators organized into six specialized units – Arson, General, Medical, Organized/No-Fault/Auto, Upstate and Workers' Compensation. Each unit is headed by a Deputy Chief Investigator. General oversight of the investigative staff is the responsibility of the Chief Investigator with the assistance of two newly appointed Assistant Chief Investigators.

A Statewide Auto Coordinator monitors patterns and trends in auto insurance fraud, coordinates investigative efforts throughout the State and acts as a liaison with other states on auto-related fraud issues. He also provides technical assistance to district attorneys who have received grants to establish auto fraud units. This grant program is overseen by the New York

State Division of Criminal Justice Services (DCJS). Moreover, as Quality Control Officer, he is responsible for the quality of the Bureau's files, recordkeeping and case management statewide.

In addition, the Bureau has a staff of insurance examiners that includes a Senior Examiner and an Examiner who work under the supervision of a Principal Examiner. The Bureau also has four support staff members who report to the Secretary to the Director.

C. Investigations

The Frauds Bureau received 25,945 reports of suspected fraud in 2005. Of that total, 25,112 were received from licensees required to submit such reports to the Department, and 833 were received from other sources, e.g., consumers and anonymous tips. A total of 1,179 new cases were opened for investigation during 2005. At the same time, investigations continued in numerous cases opened in prior years.

During 2005, the Bureau referred 224 cases to prosecutorial agencies for criminal prosecution and another 27 for civil settlement or referral to the Department's Office of General Counsel for civil proceedings. A table showing the number of fraud reports received and investigations initiated in 2005 versus data for the five prior years is included in the Appendices to this Report.

D. Arrests

Frauds Bureau investigations led to 753 arrests for insurance fraud and related crimes during the past year. Many of these investigations dealt with sophisticated conspiracies involving medical clinics, doctors and other health care professionals who prescribe unnecessary treatments and tests or bill for services never rendered and attorneys who file bogus bodily injury claims. Such investigations are complex and labor intensive and require a high degree of teamwork and cooperation among Frauds Bureau investigators, insurers, law enforcement and prosecutors.

A case in point involved a three-year investigation by the Westchester County DA's Office, the Frauds Bureau, the NYPD, the State Police, the New Jersey Attorney General's Office, the Yonkers and Westchester County Police Departments and numerous insurers that led to the arrest or indictment of six corporations and 28 people, including four doctors and a dentist. As a result of this multi-agency effort, a major medical mill in Westchester County that allegedly defrauded insurance companies of more than \$12 million was shut down.

In another instance, the Monroe County Auto Crimes Task Force was established in conjunction with a Division of Criminal Justice Services grant. The goal of the Task Force, which is headed up by the Monroe County DA's Office and includes members of the Frauds Bureau, the State Police, the Monroe County Sheriff's Department, the Rochester Police Department and a number of suburban police departments and the Department of Motor Vehicles, was to tackle the problem of auto-related crime and insurance fraud head on. As part of the Division of Criminal Justice Services' comprehensive crime-fighting program known as "Operation Impact," investigators flooded neighborhoods on random nights during April, June,

October and November 2005 and using new high-tech equipment scanned a total of 115,000 auto license plates. As a result of this Operation, 24 stolen vehicles valued at more than \$112,000 and 19 stolen license plates were recovered, 23 criminal arrests were effected and 897 summonses were issued, many of them for insurance violations. This investigation is ongoing.

These collective endeavors and the many like them that the Frauds Bureau was involved in during 2005 have had a major impact in reducing insurance fraud in New York State.

E. Fines

Bureau activities led to stiff fines against 109 individuals who were sentenced to more than \$5.8 million in court-ordered restitution in 2005. Individuals made voluntary restitution totaling \$260,835 in 12 cases during the year. In another 41 instances, insurers achieved savings of \$410,125 in connection with fraudulent claims under investigation by Bureau staff.

The Governor and the Legislature have provided the support that has enabled the Bureau to join with members of the insurance industry and law enforcement agencies on the federal, state and local levels to form a cohesive team to combat insurance fraud throughout the State.

F. Training/Continuing Education

Investigators new to the Bureau participate in an Entry-Level Training Program. In addition, investigators take part in the Bureau's In-Service Training Program. Both programs – developed and administered by the Bureau's Training Officer – comply with the standards and curriculum established for professional police officers by the Bureau of Municipal Police of the New York State Division of Criminal Justice Services (DCJS). Frauds Bureau investigators are seasoned professionals with extensive law enforcement experience and often exceed these high standards of performance.

In his capacity as a Certified Firearms Instructor, the Bureau's Training Officer provides investigators both upstate and downstate with appropriate instruction in firearms proficiency and safety. While certification in firearms proficiency is required by the DCJS on an annual basis, all Frauds Bureau investigators must recertify semi-annually, demonstrating the importance the Bureau attaches to the responsibility of carrying and using firearms.

The Training Officer and other members of the investigative staff provide training for local police and fire units, prosecutors, insurers and others. Training was conducted for recruits at a number of police departments around the State during the past year, including three sessions at the New York City Police Academy that were attended by 2,220 recruits. A training session scheduled for December 22 that would have included more than 500 recruits was cancelled. A citywide transit strike made it necessary for NYPD personnel, including recruits, to work on patrol. The Bureau has placed great emphasis on the training of police recruits because police officers are often the first responders to auto accidents and other emergency situations and their ability to recognize insurance fraud can be critical to an investigation.

Investigators, examiners and support staff regularly attend career development seminars and training programs to increase their proficiency in computer skills, management techniques and problem-solving methods. During 2005, Bureau staff took advantage of many of the educational opportunities offered by the American Management Association, the Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network, the High Intensity Drug Trafficking Area and the New York Anti Car Theft and Fraud Association, among others. Moreover, the Department offers its employees educational courses in defensive driving, sexual harassment prevention and appreciating cultural diversity.

G. Civil Enforcement

Section 403 of the New York Insurance Law, passed by the Legislature and signed into law by the Governor in 1992, authorizes the Insurance Department to impose civil penalties up to \$5,000 plus the amount of the claim on individuals who commit fraudulent insurance acts. In addition, under the provisions of Section 2133 of the Insurance Law, the Department is permitted to levy a fine of up to \$1,000 for possession of a fraudulent automobile insurance identification card and up to \$5,000 for each additional card possessed. These provisions of the Insurance Law give the Bureau the authority to impose sanctions in cases where the monetary value is not sufficient to justify criminal prosecution, or in which the extremely high burden of proof required in criminal cases cannot be met.

H. Fraud Prevention Plans/Public Awareness Programs

The Second Amendment to Regulation 95 requires all insurers that meet certain criteria to submit to the Department a Fraud Prevention Plan that includes establishing a Special Investigations Unit (SIU) to be responsible for the investigation of cases of suspected fraud and for implementation of fraud prevention and reduction activities. At year-end, 141 Plans were on file. A complete list of plans on file with the Frauds Bureau as of 12/31/05 appears in the Appendices to this Report

The Second Amendment to Regulation 95 also includes a requirement that insurers develop a public awareness program focused on the cost and frequency of insurance fraud and methods by which the public can prevent it. The programs must be geared to reach a wider audience than an insurer's policyholders. Toward that end, the New York Alliance Against Insurance Fraud, a coalition of more than 100 insurers that write property/casualty, life, health and disability insurance in New York, carries out major advertising campaigns using newspapers, radio and television to target insurance consumers. In addition, the National Health Care Anti-Fraud Association, as well as several individual insurance companies, have ongoing programs to heighten awareness and reduce public tolerance of insurance fraud. As a result, these anti-fraud messages reach millions of New Yorkers during the course of the year. One measure of the success of these campaigns is the volume of calls to the Bureau's frauds hotline. Such calls averaged 43 a week during 2005.

IV. *The Year in Review*

A. Major Cases

The Frauds Bureau was involved in a number of multi-agency investigations during 2005, as well as arrest sweeps conducted both upstate and downstate. These operations, in addition to the day-to-day investigations conducted by Frauds Bureau investigators, contributed to the total number of arrests for the year. Some of these cases are summarized below.

January

NO ACCIDENT

- This defendant was accused of conspiring to destroy a building co-owned by him and another person for the purpose of collecting an insurance settlement. The indictment charged that in March 2002, he offered a third party \$10,000 to set fire to the property and "make it look like an accident." He filed a claim with Farmers Insurance Company, including a Property Loss Statement and Proof of Loss which he transmitted to the insurer by facsimile, thus the charge of wire fraud. An investigation by the Frauds Bureau and the Bureau of Alcohol, Tobacco, Firearms and Explosives found that he used the insurance proceeds to pay off the bribe.

REAR-ENDED

- An investigation by the Frauds Bureau and the Suffolk County DA's Insurance Crimes Bureau led to the arrest of a Brooklyn man who, while working in concert with two others previously arrested in this case, allegedly caused an auto accident on the Long Island Expressway. This defendant, the driver of a 1997 Lincoln Town Car, allegedly stopped short, causing another car to hit his car in the rear. He and his two passengers were taken to a local hospital for treatment for which OneBeacon Insurance Company paid out more than \$24,000 in no-fault and property damage benefits.

MOTORCYCLE GANG

- A motorcycle theft and fencing ring comprised of 16 individuals – including fences, locators and "steal men" – that allegedly stole more than 81 imported motorcycles valued at more than \$1 million – was shut down following a nine-month undercover sting operation. The investigation began in March 2004 when a motorcycle owner reported to the NYPD that he recognized parts of his motorcycle, which had been stolen from his driveway, being offered for sale on e-Bay. The NYPD's Auto Crime Division launched a wider investigation in conjunction with the Queens DA's Organized Crime and Rackets Bureau and the Frauds Bureau. The defendants were accused of burglarizing homes and stealing motorcycles in New York, New Jersey and Connecticut. The steal men drove or hauled the motorcycles by van to garages in Queens where they were chopped up, identification numbers on the parts were altered, the parts were photographed for Internet sale, and then packaged for shipment to purchasers from Ohio and California, as well as Italy, Spain and Australia. Investigators executed eight court-authorized search warrants on October 20-21, 2004 at the Queens garages and at the homes of four of the defendants and recovered \$169,000 in cash, several computers that allegedly contained records of the ring's Internet sales, numerous stolen motorcycle engines and other parts, two stolen cars and tools used to dismantle vehicles and

alter their identification numbers. In addition, NYPD detectives coordinated with investigators in Ohio and California for the execution of 15 "Sneak and Peak" search warrants which allowed law enforcement officers to covertly open packages containing stolen engines shipped by the alleged fences, photograph the contents and their identification numbers, reseal the packages and forward them to their intended destinations, enabling the investigation to continue.

February

WELL ABLE

- A Rome, NY, man began collecting disability benefits after sustaining a work-related injury in 1987. On numerous occasions over the intervening years, he submitted documents to the State Insurance Fund stating that he was not employed in any capacity and was not receiving any income other than his disability benefits. However, an investigation by the Frauds Bureau, the State Insurance Fund and the Workers' Compensation Fraud Inspector General's Office uncovered evidence that he had returned to work and as a result received nearly \$11,600 in benefits to which he was not entitled.

A COUPLE OF FRAUDSTERS

- A Pennsylvania couple was accused of collecting premiums and issuing fraudulent auto insurance identification cards and bogus insurance policies to hundreds of unsuspecting victims in the Orange County area who subsequently had their policies canceled for nonpayment of premiums. The couple pocketed most of the money they took in. The Frauds Bureau, the New York Auto Insurance Plan and the State Police pooled resources in the investigation that led to the arrests. An Orange County grand jury indicted the pair after hearing testimony from the victims.

ABSENT

- An investigation by the Frauds Bureau and the Suffolk County DA's Insurance Crime Bureau led to the arrest of a Russian native who is suspected of participating in a no-fault fraud ring on Long Island. Investigators apprehended the defendant at Kennedy Airport as he was about to flee the country. He participated in a number of staged accidents and then filed phony no-fault insurance claims. The specific case he was charged in involved a rear-end collision on Long Island's Sagtikos Parkway in December 2001. The defendant's nephew, also arrested but not charged, claimed to be the driver and the defendant the passenger. In reality, the nephew was the passenger and the defendant was not even in the car.

March

FRAUDULENT BILLINGS

- Fifteen suspects – including four doctors, a dentist, a psychologist and an acupuncturist – and six companies – including a medical billing firm, a psychologist's office, an acupuncture clinic and three medical clinics – were indicted for participating in a no-fault insurance scam that fraudulently billed New York City Transit, which is self-insured, and a number of private insurance companies for medical services that were never rendered. An investigation conducted by the Frauds Bureau, the Manhattan and Brooklyn DAs' Offices, the NYPD's

Fraudulent Accident Investigation Squad and its Transit Bureau, New York City Transit's Special Investigations Unit, the National Insurance Crime Bureau, the New York State Department of Education's Office of the Professions, Chase Manhattan Bank and the Special Investigations Units of both GEICO and St. Paul Travelers Insurance Companies led to the indictments. Investigators who worked undercover on this 18-month-long investigation discovered that the defendants submitted three types of fraudulent claims – billings for services that were not provided, billings that were upcoded in order to obtain a higher reimbursement rate and billings for services for dates on which the undercover investigators had not been seen or treated. More than 60 insurers were defrauded of millions of dollars in those fraudulent billings over a ten-year period and the Manhattan DA's Office initiated a forfeiture action in which the court has frozen more than \$3 million in assets.

SEVEN CAUGHT

- An investigation by the Frauds Bureau, the Brooklyn DA's Office, the Workers' Compensation Board, New York City Transit, the U.S. Department of Labor and the U.S. Postal Inspector's Office led to the takedown of seven suspects who collected workers' compensation benefits for work-related injuries while taking on jobs, or in one case, performing extensive physical activity on house repairs. Six defendants were arrested and an arrest warrant was issued for the seventh. Among those charged in this case were two New York City bus drivers and a detective assigned to New York City Transit.

BURNT COFFEE

- The owner of a coffee shop in Buffalo, NY, was rescued by the Buffalo Fire Department from a fire that completely destroyed his business. An investigation by Buffalo fire investigators revealed that gasoline was used to set a fire on the first floor of the restaurant and an additional fire was set in an employee's car at the rear of the building. An expanded investigation by the Frauds Bureau and the Buffalo Police and Fire Departments revealed that the defendant had purchased three insurance policies within 30 days of the fire – a \$15,000 policy on personal property with New York Central Mutual Fire Insurance Company, a \$25,000 policy with Selective Insurance on business property and a \$250,000 policy with Michigan Millers for the business. The defendant was charged with arson in both fires. However, because he had not yet submitted claims to his insurance carriers, he was not charged with insurance fraud.

April

FORMER STATE TROOPER

- A former New York State Trooper began collecting workers' compensation benefits after being classified permanently disabled due to a work-related injury. He subsequently submitted reports to the State Insurance Fund stating that he was unable to work. In addition, on two occasions he gave sworn court testimony that he knew contained materially false information about the status of his employment. An investigation by the Frauds Bureau and the State Fund uncovered evidence that the suspect is the owner of several businesses in the Liberty/Monticello area. If convicted of the charges, he faces up to 15 years in state prison.

MOVEABLE DATES

- An upstate waitress filed a claim with Progressive Insurance Company stating that her car sustained extensive damage as a result of an accident on 12/5/04. Progressive issued a check for \$3,784 to cover the damage. In the course of an investigation, Frauds Bureau investigators discovered that the accident had actually occurred on 9/23/04. However, the suspect did not have any insurance coverage at that time. So she subsequently purchased a policy and falsely reported the date of the accident as 12/5/04 when the coverage was in place.

LOG JAM

- The co-owners of a logging company were arrested on charges of conspiring to falsely report to the Oswego County Sheriff's Department in December 2001 that a 1992 Timberjack 450B logskidder valued at \$41,000 was stolen from the woods near their business in Oswego County. One of the defendants then filed a claim with Peerless Insurance Company which issued a check for \$39,650 for the replacement value of the machine. However, during an investigation by the Frauds Bureau, the logskidder was recovered where the defendants had hidden it.

May

ARSON

- On May 11, 2005, a Brooklyn woman reported that her 1999 Nissan Altima was stolen from the street near her home and filed a claim with Allstate Insurance Company for the loss. At 11:50 p.m. that same night, the New York City Fire Department responded to a vehicle fire in another section of Brooklyn. That car was subsequently identified as the "stolen" Nissan Altima. The Fire Marshals were called in for further investigation and determined that the fire was incendiary. Further investigation by the Frauds Bureau and the FDNY revealed that the woman owned the car, paid the insurance premiums but never drove the car. The driver was actually the owner's granddaughter who arranged for a friend to set fire to the car without the knowledge of her grandmother. During an interview, the granddaughter admitted that she had arranged for the disposal of the car for the insurance settlement which would have been far more than she would have received if she had sold or traded the car.

"GIVE-UPS"

- A two-year investigation conducted jointly by the Frauds Bureau, the U.S. Attorney's Office, the State Police, the Buffalo and Cheektowaga Police Departments and the SIUs of eight insurance companies that were victims of the fraud led to the arrest of ten suspects accused of giving up their autos to a Lackawanna man to be totaled by fire or other means in order to obtain the insurance settlements. The "give-ups" took place between April 2000 and June 2003 and the eight insurers paid out more than \$105,000 for the losses. Nine of the cars have been recovered.

UNDERCOVER "BUY"

- During an investigation by the Frauds Bureau and the NYPD's Auto Crime Division, an undercover investigator paid \$400 for auto insurance coverage and was issued an auto ID card. The investigation subsequently revealed that the ID card was fraudulent and no

insurance coverage existed. The defendant, who was operating an insurance business with a license that had been revoked in 1998, had been arrested on three previous occasions for similar activities.

June

CRASH COURSE

- During a meeting with a confidential informant in January 2005, the Frauds Bureau and the Niagara County DA's Office learned that the owner of a used car parking lot, defendant #1 in this case, was planning to have someone cause an accident at his parking lot and intentionally damage a 1998 Chevrolet Lumina with a bad transmission. About a week after the meeting, investigators were notified by Erie Insurance Company's Special Investigations Unit that a suspicious accident had occurred at the parking lot in question. An investigation by the Frauds Bureau and the Niagara County DA's Office turned up evidence that at the request of the parking lot owner, a second defendant intentionally caused damages to the Lumina and also to a 1997 Plymouth Voyager. The damages were then enhanced and a repair estimate of \$6,070 was submitted to Erie Insurance Company. The defendants planned to repair the two vehicles at a cost far less than the amount of the repair estimate and pocket the difference.

NO ANNUITY

- An investigation by the Frauds Bureau, the State Police and the Herkimer County DA's Office led to the arrest of a former independent life insurance agent who was charged with stealing \$340,000 from an elderly woman over a period of more than two years from March 2001 through May 2003. The victim wrote personal checks payable to the suspect for what she believed was an annuity. However, rather than investing the money, the defendant put the cash to personal use. The investigation into the activities of other insurance agents suspected of targeting the elderly will continue and more arrests are expected.

NO COVERAGE

- A self-employed landscaper was charged with supplying a customer with a fraudulent Certificate of Insurance as proof of liability insurance coverage. Based on the Certificate, the customer hired the suspect who subsequently damaged property and did not return to complete the job. An investigation by the Frauds Bureau revealed that the insurer named on the Certificate had not insured the suspect since 2001. In addition, another prior policy purchased from a second insurer had been cancelled in 2001 for nonpayment of premiums.

July

NEW YORK STATE EMPLOYEES CAUGHT

- A six-month joint investigation by the Frauds Bureau, the Bronx DA's Office and the New York State Inspector General's Office led to the arrest of 16 New York State employees. Between December 2002 and April 2005, they allegedly submitted more than \$600,000 in claims for medical treatments they never received. They were also accused of pocketing \$389,423 paid out on those claims. The defendants were employed either by the New York State Office of Mental Retardation and Developmental Disabilities or the State University of New York and were covered under The Empire Plan, the health insurance program for New

York State workers. The investigation began when the insurer discovered that the treatment code on one of the claims was incorrect and contacted the doctor to inform her. The doctor told the insurer that the person who submitted the claim was not one of her patients.

NO DENTAL WORK FROM JAIL

- While an employee of Excellus Health Plan, the defendant in this case filed claims for services purportedly received by her husband from a local dentist on 7/14/04 and 8/12/04. On 1/18/05, she submitted another claim stating that her son had received dental services. However, an investigation by the Frauds Bureau revealed that all three claims were fraudulent. As a matter of fact, the defendant's husband was incarcerated during the time the dental work was allegedly performed.

DELIVERY

- Following a work-related injury on 2/8/02, this suspect began collecting workers' compensation benefits. On several occasions from that time until his arrest, he signed documents denying that he had returned to work. However, during an investigation by the Frauds Bureau and the State Insurance Fund, he was videotaped working as a driver/deliveryman. As a result of his scheme, he collected more than \$8,000 in benefits to which he was not entitled.

August

TASK FORCE SCORES

- An investigation by the Frauds Bureau and other members of the Federal Health Care Task Force, which includes federal, state and local law enforcement agencies, led to the arrest of 42 suspects in a frauds sweep that took place in both New York City and in the Buffalo-Niagara region. The suspects were accused of participating in a series of staged accidents in Western New York in which the drivers and several passengers in each car falsely claimed they were injured and sought medical treatment at clinics that were involved in the scheme. In some cases, the suspects who claimed injury were miles away in Brooklyn at the time of the alleged accidents.

AGENT FRAUD

- A joint investigation conducted by the Frauds Bureau, the Rochester and Irondequoit Police Departments and Nationwide Insurance Company led to the arrest of a former agent for Nationwide. While acting in his capacity as an agent, this suspect allegedly misrepresented himself as two of his clients in order to implement changes of address so that all future correspondence from Nationwide to the clients would be sent to his own home address. Between July 2000 and July 2004, he systematically withdrew funds held in the individual retirement accounts and annuities of the two clients. The disbursement checks totaling more than \$143,000 were sent in the clients' names to his home and he and at least one other person (as yet not charged) forged the signatures of the clients and cashed the checks. The investigation is ongoing.

WHAT A GAMBLE

- An upstate woman reported to the North Tonawanda Police Department on 6/4/05 that during a burglary at her home, jewelry worth \$30,000 was stolen. She subsequently filed a claim with MetLife for the loss. However, a pawnbroker interviewed during an investigation by the Frauds Bureau and the North Tonawanda Police Department stated that the defendant pawned jewelry valued at \$30,000 on 6/2/05 and received \$2,500 in cash. Further investigation revealed that she used the cash to gamble at a local casino.

September

BROKER FRAUD

- An investigation by the Frauds Bureau, the DMV, the NYPD's Fraudulent Document Squad, the New York Auto Insurance Plan, the Taxi and Limousine Commission and the State Police led to the arrest of a Brooklyn insurance broker who was accused of collecting premiums from livery drivers and failing to forward the money to an insurer. He also issued fraudulent auto ID cards so that the drivers were unaware that they were operating their vehicles without insurance coverage.

OVER THE LIMIT

- The defendant in this case was the lessee of a 2000 GMC Yukon Denali when, on 8/23/05, it was involved in an accident while being driven by an employee of the defendant's logging business. During an investigation by the Frauds Bureau and the Onondaga County Sheriff's Office, it was discovered that the vehicle had 90,042 miles on it. The defendant's leasing agreement stipulated that the defendant was responsible for payment of 15 cents for every mile over 60,000. The defendant, finding himself on the hook for more than \$4,500, damaged the odometer in an attempt to hide the fact that he was over his mileage limit.

NICE GIFT

- On 7/11/05, this suspect reported to the Town of Niagara Police Department that a computer and various tools valued at \$2,145 were stolen from the trunk of his car while it was parked at a local shopping mall. The next day, he filed a claim with St. Paul Travelers Insurance Company for the loss. However, an investigation by the Frauds Bureau, the Town of Niagara Police Department, the Niagara Falls Police Department and the Village of Lewiston Police Department turned up evidence that the suspect had given the purportedly stolen items to his girlfriend who sold them in order to buy crack cocaine.

October

MAJOR MEDICAL MILL TAKEDOWN

- Following a three-year investigation by the Frauds Bureau, the State Police, the New Jersey Attorney General's Office, the NYPD, the Yonkers and Westchester County Police Departments, the National Insurance Crime Bureau and numerous insurers, 6 corporations and 28 people, including four doctors and a dentist, were arrested or indicted. The doctors were charged with routinely prescribing unnecessary medical treatments and excessive diagnostic tests for patients who had not even been involved in an auto accident. Among those charged were an emergency room employee and a paramedic who forwarded

confidential patient information to one of the other defendants who posed as a doctor or a hospital patient care coordinator to refer these patients for unnecessary follow-up treatment. Runners were paid to steer claimants to medical facilities that participated in the scam and a NYPD Aide allegedly forged accident reports. As a result of this multi-agency effort, a major medical mill in Westchester County that allegedly defrauded insurance companies of more than \$12 million was shut down.

SIX SWEEP UP

- An investigation by the Frauds Bureau, the Orange County Sheriff's Department and the Workers' Compensation Board led to the arrest of six Orange County suspects charged with workers' compensation fraud. All but one of the six defendants were working while collecting benefits for job-related injuries. As a result, these five defendants received a total of \$32,900 in benefits to which they were not entitled. The sixth case involved a subcontractor who submitted a fraudulent Certificate of Insurance as proof of workers' compensation insurance coverage when in fact no such coverage was in place. Moreover, her previous policy had been cancelled by the State Insurance Fund for nonpayment of premium.

November

NO-FAULT FRAUD

- Two doctors, a lawyer and five other defendants were arrested for their participation in a no-fault fraud scheme in Queens. One of the doctors arrested was the "paper owner" of two of the clinics involved in the scam and the second doctor told patients he owned a third clinic. But a husband-and-wife team was actually the secret owner and manager of the clinics, as well as the billing service that filed the phony claims. Among the others arrested were a clinic manager and a runner who helped steer accident victim to the clinics where they underwent months of unnecessary treatment and tests. The lawyer arrested in the case was charged with filing bogus bodily injury claims for the accident victims. The Frauds Bureau and the Attorney General's Office pooled resources in this two-year investigation.

FORGED PRESCRIPTIONS

- On three occasions during 2004 while employed in a doctor's office, a licensed practical nurse from Rochester presented prescriptions for controlled substances at a local pharmacy. A joint investigation by the Frauds Bureau and the Town of Greece Police Department revealed that the defendant forged the prescriptions so that it would appear as though her employer had legitimately prescribed the drugs for her.

LOCATION, LOCATION, LOCATION

- A Colton, NY, contractor was accused of filing a fraudulent claim with Selective Insurance Company of America in February 1999. The defendant indicated in the claim that he had fallen from a ladder while on the job at a collision business in Potsdam. However, an investigation by the Frauds Bureau and the U.S. Attorney's Office revealed that the accident actually happened at another location that was not covered by insurance. The defendant then persuaded an accomplice to corroborate his story. He was subsequently paid \$5,000 for medical expenses and an additional \$90,000 as a settlement.

December

OPERATION BROWNSVILLE AUTO

- An investigation by the Frauds Bureau, the NYPD, and the Brooklyn DA's Office resulted in the arrest of 37 individuals, including one Mafia associate, charged with auto theft, the sale of stolen auto parts and insurance fraud. The business, Brownsville Auto Salvage, was leased and operated by the NYPD for 18 months. Within that time, the yard took delivery of more than 100 cars that were stolen or "given up." Cars were stolen from the five boroughs of New York City, as well as Nassau and Suffolk Counties, Connecticut and New Jersey. The car owners who voluntarily gave up their cars to a middleman would wait to hear that their car had been dismantled. When word came, they would report it stolen to their insurer and collect the payment. The investigation is ongoing.

GUILTY

- After a three-day trial in Niagara County Court, Yusuf Al Hassem of Buffalo, NY, was found guilty of insurance fraud, attempted grand larceny and falsely reporting an incident. On 1/28/05, he purchased an auto insurance policy to cover his 1991 Mercedes-Benz. On 2/5/05, he reported to the Town of Niagara Police Department that the car had been damaged at a shopping mall parking lot and a factory-installed CD changer had been stolen from the trunk. He then filed a claim with Progressive Insurance Company for the loss. However, an investigation by the Frauds Bureau, the Niagara County DA's Office, the Town of Niagara Police Department and Progressive's SIU turned up evidence that Al Hassem had submitted a claim to Safeco Insurance Company in July 2003 for similar damage and theft of property and was paid \$4,210 by Safeco. The investigation also revealed that he is currently on parole on a robbery conviction. Based on his prior criminal record and the recent conviction, he faces up to 11 years in prison when he is sentenced.

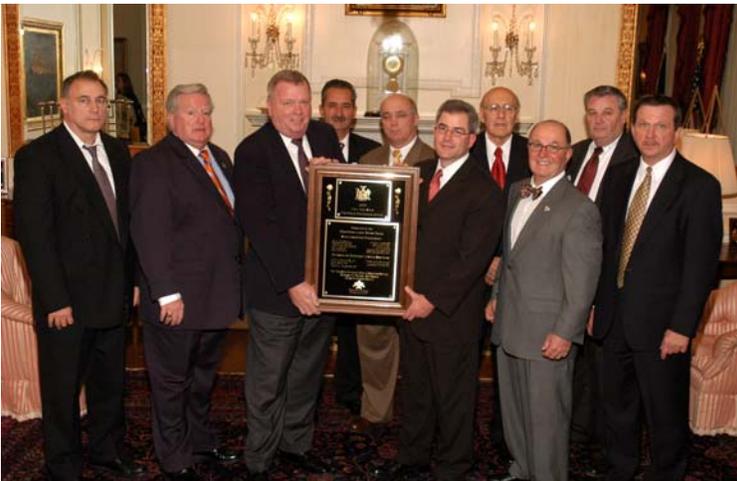
ARSONIST CAUGHT

- On December 15, 2005, Mark Caldwell was sentenced to 5-to-15 years in state custody after pleading to four felony counts of arson in the 3rd degree. He was also ordered to pay \$15,000 each for nine arson fires he was charged with setting. Caldwell was described as a serial arsonist who made a career of torching buildings. While no one was injured in any of the fires, the lives of the firefighters who fought the blazes were jeopardized. The case was initiated following a report of suspected fraud submitted by The Hartford. An investigation by the Frauds Bureau and the Town of Clay Police Department led to Caldwell's arrest on 2/27/04.

B. Staff Recognition Awards

- **Workforce Champions Award** – The Governor's Office of Employee Relations presented a team of ten New York State Insurance Department employees and five from the New York State Division of Criminal Justice Services with one of four 2005 *Workforce Champions Awards*, which recognizes New York State employees who have worked together to significantly improve state governmental operations.

These professionals were honored for their successful efforts in *Operation Auto Rates*, a multi-faceted strategy to reduce auto premium rates in New York State. The strategy included greater cooperation and collaboration by the Frauds Bureau with the police and district attorneys in aggressively fighting fraud on the local level, and regulatory changes including the implementation of cost-cutting Regulations 68 and 83. The Department held dozens of meetings with major auto insurers to review their rate structures in the face of significant declines in losses in the auto insurance market. As a result of the team's hard work and perseverance, nearly 70% of all New York drivers are expected to see savings of more than \$400 million as of year-end 2005.



Here, Superintendent of Insurance Howard Mills (left) and Frauds Bureau Director Charles Bardong display the Award. Also pictured to the right of Superintendent Mills is George Madison, Director of the Governor's Office of Employee Relations who hosted the Awards ceremony. The members of the Fraud Bureau who were commended for their contributions to *Operation Auto Rates* are (pictured from left)

Senior Investigator Mark Sirkin; Investigator Edward Miller; Deputy Chief Investigator August D'Aureli; Senior Investigator Gary Anderson; Chief Investigator Anthony DeRiso; Senior Investigator David Hahn; and Senior Investigator Arthur Masinski.

In addition to the Frauds Bureau staff, Principal Attorney Paul Zuckerman and Supervising Attorney Lawrence Fuchsberg of the Insurance Department's Office of General Counsel; and Supervising Insurance Examiner Joseph Smeragliuolo and Supervising Actuary Bruce Green of the Property Bureau were also cited. The Award was presented at a ceremony at the Executive Mansion in Albany on October 26, 2005.

- **New York State Police Award** – On March 2, 2005, Frauds Bureau Director Charles Bardong, Deputy Director Nicholas DiMuro and Queens District Attorney Richard Brown received an award from the New York State Police in recognition of the efforts of the Bureau and the DA's Office in a three-year investigation known as "Operation Crash Course." The case resulted in the arrest of 67 individuals and corporations for their participation in a major no-fault fraud ring. The Award was presented in Albany at the Advanced Auto Crime Investigation Seminar sponsored by the New York Anti Car Theft and Fraud Association.
- **National Insurance Crime Bureau Award** – Senior Investigator Gary Anderson of the Bureau's No-Fault Unit received a Certificate of Recognition from the NICB at their Annual Award Luncheon on December 8, 2005. Investigator Anderson was honored for his efforts and commitment to the detection and investigation insurance fraud.

C. Foreign Delegations

The Insurance Department welcomed a number of foreign delegations during 2005 and members of the Frauds Bureau were invited to participate in many of the meetings. In March, and again in October, a group from the Russian Academy of Entrepreneurs met at the Department to discuss modern organizational techniques and management of the insurance industry in the United States. Frauds Bureau staff addressed such issues as methods of fighting insurance fraud, including fraud perpetrated by organized crime, and how the insurance industry handles the problem of auto theft. Frauds Bureau Director Charles Bardong (far right background), Deputy Director Nicholas DiMuro (far right foreground) and (on his left) Deputy Director/Counsel Hazel Stewart were photographed with the members of the Russian delegation on their visit in October.



In May, Bureau staff gave a presentation on the subject of fraud detection and prevention to senior-level representatives from the five Central Asian Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. An Australian delegation visited the Department during September to study the American brand of insurance regulation and discussed fraud investigation and prevention with staff members. Then in November, Bureau representatives met with a group from the Korean Insurance Department.

After a successful pilot program, the National Association of Insurance Commissioners initiated an International Internship Program in 2005 to advance working relations with foreign markets with an emphasis on the exchange of regulatory techniques and technology. Following a four-day orientation program at NAIC headquarters, each intern travels to a different state for five weeks, working in technical areas of their specialization. During 2005, the Frauds Bureau gave presentations to interns from India in August and from China in November. The presentations generally included an overview of the Bureau's operations followed by a question and answer session. The discussions provided an opportunity for the exchange of ideas on topics that are of particular interest to the visitors.

With the globalization of the insurance industry, such opportunities for exchange are likely to increase, as insurance regulators and companies from around the world seek to draw upon the expertise of what is arguably the premier insurance regulator in the world.

D. Partnering with Prosecutors

Under a program initiated in 2003, Frauds Bureau investigators are assigned to prosecutors' offices to work side-by-side with their investigative staff. During 2005, the Bureau had investigators in 11 prosecutors' offices across the State. As of year's end, one investigator was assigned to the Suffolk County DA's Office full time. In addition, we had one investigator in the Nassau County DA's Office two days a week; two investigators one day a week in Queens; and one investigator three days a week in Rockland where he also worked with investigators in the Putnam and Dutchess County DAs' Offices. We also had one investigator in the Albany County DA's Office two to three days a week, one investigator two to three days a week in Westchester, one investigator one day a week in the Bronx, one investigator in the Staten Island DA's Office one day a week, and an investigator part time in the Monroe County DA's Office.

E. Moving Up

In November, both Charles Sawyer and Karen Silverstein were promoted to the position of Assistant Chief Investigator. In the photo shown at the right, Bureau Director Charles Bardong congratulates Karen Silverstein on her promotion, as Deputy Director Nicholas DiMuro presents her new shield. Their responsibilities in their new positions include direct supervision of the Deputy Chief Investigators who oversee the operations of the Bureau's specialized investigative units. They will also be more actively involved in the operations of the various task forces and working groups of which the Bureau is a member and will attend their meetings on a regular basis. Assistant Chief Investigator Silverstein's jurisdiction encompasses the downstate region and Assistant Chief Investigator Sawyer manages the upstate counties. Both will report directly to the Chief Investigator.



F. Upstate Seminars

In 2004, the Bureau initiated a series of seminars to give insurers in the upstate region an overview of the Frauds Bureau and the skills our investigators bring to the investigation of insurance fraud. In September 2004, three sessions were conducted for member companies of the New York Insurance Association – in Batavia, Syracuse and Albany. During 2005, the Bureau's Training Officer gave such presentations to members of AIG Insurance Company in Albany in April and to staff from Utica First Insurance Company in Utica in August. Our goal is to ensure that every insurer that writes business in New York State is aware of what the Bureau has to offer in terms of experience, dedication and professionalism as we work with the industry to eliminate insurance fraud.

G. World Trade Center Update

Since September 11, 2001, the Frauds Bureau has been fast-tracking reports of suspected fraud related to the World Trade Center disaster to ensure they receive prompt attention. As of 12/31/05, 83 World Trade Center-related reports of suspected fraud had been opened for investigation. More than half involved life insurance fraud (21) and workers' compensation fraud (22). The remainder included 8 that were auto-related and 32 that were assigned to a miscellaneous category.

V. *Directions for 2006*

A. Web-Based Case Management System

The Frauds Bureau achieved its goal of Web-based fraud reporting in 2005. Insurers now report suspected fraud electronically directly via the Web site through a system known as the Blue Zone, which replaced the previous dial-up method using the AT&T Global Network. However, the long-term goal is to replace the present database system – which uses mainframe technology – with a browser-based system. A Frauds Case Management software vendor has been selected to perform the task. This new system is designed to enhance the effectiveness and accuracy of fraud reporting using drop-down menus and to allow for the attachment of images and documents. Under this automated system, virtually all of the Bureau's principal tasks will be Web-based, including case management and statistical tracking. The Department's Frauds and Systems Bureaus are working with the vendor to customize, develop and implement the new Frauds Case Management System.

B. Audits of Insurer Special Investigations Units

In past years, a Frauds Bureau examiner accompanied members of the Health Bureau on financial examinations and members of the Property/Casualty Bureau on market conduct examinations. The purpose of this assignment was to evaluate insurer compliance with the provisions of the Second Amendment to Regulation 95 requiring the submission to the Department of a Fraud Prevention Plan and the establishment of a Special Investigations Unit (SIU). However, under a new program, the Frauds Bureau's Principal Examiner will conduct independent audits to review insurer Plans and provide guidance to SIU staff on how best to implement Plan provisions. Two such independent audits took place during the final quarter of 2005, one at Oxford Health Insurance Company and the second at Allstate Insurance Company. This program will be refined and improved in the coming year.

C. Workers' Compensation Fraud Seminars

The idea for a series of seminars to educate the business community about workers' compensation fraud that was conceived late in 2004 became a reality in 2005. The Frauds Bureau's Training Officer, in conjunction with the New York Insurance Association and the Workers' Compensation Board Inspector General's Office, developed a presentation designed to heighten awareness about application fraud, premium fraud and other problems associated with workers' compensation insurance. The first seminar was conducted for the Business Council of

New York State on October 19, 2005 in Albany. Based on feedback from Council members, the presentation was revised to more properly address the issues that are particularly relevant to the business community in New York State. The Frauds Bureau will continue this program throughout 2006 in an effort to help entities such as Chambers of Commerce and other similar groups recognize and prevent workers' compensation fraud.

VI. Legislation

The Frauds Bureau requests and/or supports the following legislative changes:

- Providing the Superintendent of Insurance with the authority to establish standards for the public awareness programs that insurers are required to develop under the provisions of Regulation 95;
- Upgrading the status of Insurance Frauds Bureau investigators from peace officers to police officers, enabling them to act independently in the execution of such tasks as search and arrest warrants, court orders relating to electronic surveillance and summary arrests;
- Making it a crime to present materially false statements on an insurance application for personal lines insurance;
- Making it a felony for third parties, known as runners, to recruit patients and clients for health care providers and attorneys in insurance fraud schemes;
- Increasing the penalties for those who falsify Police Accident Reports;
- Establishing a TIPS program;
- Amending the Penal Law, in relation to adding a description of a fraudulent no-fault insurance act; decreasing the monetary threshold for the commission of insurance fraud in various degrees; and providing three separate degrees of “aggravated insurance fraud”;
- Requiring a periodic certification of continued eligibility by recipients of workers’ compensation or disability benefits;
- Creating a class E felony for insurance activity for which a license is normally required by certain previously licensed individuals and entities that are no longer licensed at the time of the violation;
- Creating a class E felony for unlicensed insurance activity by any individual;
- Subjecting unlicensed insurance activity to civil penalties after notice and hearing before the Insurance Department;
- Providing for automatic revocation of licenses under Article 21 of the Insurance Law upon conviction of the licensee for felony larceny or felony insurance fraud;
- Requiring that life insurance policy applications include a positive identification of the insured;
- Increasing civil penalties for knowing possession, transfer or use of fraudulent insurance documents;

- Prohibiting the participation in the insurance business of individuals who have been convicted of felonies involving dishonesty, breach of trust or other violations of Article 176 of the Penal Law unless such persons first obtain the written consent of the Superintendent of Insurance for such activities;
- Amending §2111 of the Insurance Law to prohibit a revoked licensee from becoming employed in any capacity by an entity subject to the provisions of Article 21 without the prior written approval of the Superintendent;
- Increasing penalties in the Vehicle and Traffic Law to reduce the number of uninsured or unlicensed motorists in New York State;
- Requiring no-fault and workers' compensation insurers to provide explanations of benefits in response to claims filed for health care services under those programs;
- Modifying the reporting date for the Frauds Bureau Annual Report (pursuant to §405 of the Insurance Law) from January 15 to March 15 of each year; and
- Modifying the reporting date for insurer Special Investigations Units annual reports (pursuant to §409 of the Insurance Law) from January 15 to March 15 of each year.

VIII. Appendices

IFBs Received by Year	2000	2001	2002	2003	2004	2005
Auto Theft	1,696	2,085	1,694	1,927	1,778	1,082
Theft From Auto	65	88	101	76	79	67
Auto Vandalism	260	260	235	385	297	263
Auto Collision Damage	1,064	1,129	775	1,819	1,614	1,071
Auto Fraudulent Bills	33	58	32	35	33	19
Auto Misc.	797	724	707	1,213	1,451	1,335
No-Fault Auto Insurance	<u>12,372</u>	<u>15,219</u>	<u>14,852</u>	<u>17,253</u>	<u>14,328</u>	<u>13,287</u>
Org./No-Fault/Auto Unit Totals	16,287	19,563	18,396	22,708	19,580	17,124
Workers' Compensation	<u>862</u>	<u>1,733</u>	<u>1,086</u>	<u>1,121</u>	<u>1,027</u>	<u>1,118</u>
Workers' Comp Unit Totals	862	1,733	1,086	1,121	1,027	1,118
Disability Insurance	82	93	102	73	65	96
Health Accident Insurance	<u>2,205</u>	<u>1,572</u>	<u>1,518</u>	<u>1,791</u>	<u>2,236</u>	<u>2,183</u>
Medical Unit Totals	2,287	1,665	1,620	1,864	2,301	2,279
Auto Fire	313	374	267	315	400	309
Fire - Residential	114	159	127	114	135	154
Fire - Commercial	<u>34</u>	<u>25</u>	<u>22</u>	<u>25</u>	<u>30</u>	<u>36</u>
Arson Unit Totals	461	558	416	454	565	499
Auto I. D. Cards	302	591	536	191	130	214
Burglary - Residential	361	444	392	422	378	333
Burglary - Commercial	66	98	93	80	78	108
Homeowners	258	307	288	432	450	651
Larceny	12	25	45	43	58	48
Lost Property	74	112	108	182	263	339
Robbery	15	19	28	21	22	16
Bonds	2	0	6	6	5	5
Life Insurance	65	79	100	63	61	251
Ocean Marine Insurance	21	19	15	25	27	30
Reinsurance	0	2	0	1	0	0
Appraisers/Adjusters	12	12	5	30	7	4
Agents	36	42	65	50	52	42
Brokers	59	47	60	65	157	71
Ins. Company Employees	5	8	10	3	4	3
Insurance Companies	3	0	4	20	13	9
Miscellaneous	<u>183</u>	<u>228</u>	<u>312</u>	<u>304</u>	<u>504</u>	<u>429</u>
General Unit Totals	1,474	2,033	2,067	1,938	2,209	2,553

Unassigned	876	476	993	1,620	1,597	2,372
IFBs Received	2000	2001	2002	2003	2004	2005
Org./No-Fault/Auto Unit Totals*	4,228	4,718	3,811	22,708	19,580	17,124
Auto ID Unit Totals**	302	591	536	*	*	*
Workers' Comp Unit Totals	862	1,733	1,086	1,121	1,027	1,118
Medical Unit Totals	2,287	1,665	1,620	1,864	2,301	2,279
Org./No-Fault/Auto Unit Totals***	12,372	15,219	14,852	***	***	***
Arson Unit Totals****	148	184	149	454	565	499
General Unit Totals	1,172	1,442	1,531	1,938	2,209	2,553
Unassigned	<u>876</u>	<u>476</u>	<u>993</u>	<u>1,620</u>	<u>1,597</u>	<u>2,372</u>
Grand Totals	22,247	26,028	24,578	29,705	27,279	25,945

* No-Fault and Auto Units merged in August 2003. Prior years reflect Auto Unit totals only.

** Auto ID Unit merged into General Unit in August 2003.

*** No-Fault and Auto Units merged in August 2003. Prior years reflect No-Fault Unit totals only.

**** Arson Unit created in August 2003. Prior numbers derived from statistical reports.

Cases Opened by Year	2000	2001	2002	2003	2004	2005
Auto Theft	60	51	71	92	79	86
Theft From Auto	2	8	14	3	3	3
Auto Vandalism	13	20	23	18	7	13
Auto Collision Damage	29	29	25	25	23	30
Auto Fraudulent Bills	7	7	7	3	3	3
Auto Misc.	12	13	25	21	12	11
No-Fault Auto Insurance	<u>88</u>	<u>62</u>	<u>113</u>	<u>88</u>	<u>73</u>	<u>122</u>
Org./No-Fault/Auto Totals	211	190	278	250	200	268
Workers' Compensation	<u>527</u>	<u>409</u>	<u>494</u>	<u>571</u>	<u>669</u>	<u>624</u>
Workers' Comp Unit Totals	527	409	494	571	669	624
Disability Insurance	17	14	15	13	12	12
Health Accident Insurance	<u>55</u>	<u>44</u>	<u>42</u>	<u>57</u>	<u>59</u>	<u>59</u>
Medical Unit Totals	72	58	57	70	71	71
Auto Fire	10	8	16	33	106	60
Fire - Residential	11	20	17	20	16	24
Fire - Commercial	<u>5</u>	<u>2</u>	<u>2</u>	<u>6</u>	<u>11</u>	<u>9</u>
Arson Unit Totals	26	30	35	59	133	93
Auto I. D. Cards	65	150	179	63	10	5
Burglary - Residential	21	10	14	16	7	7
Burglary - Commercial	5	2	12	2	4	6
Homeowners	18	22	36	28	18	20
Larceny	4	4	2	2	7	4
Lost Property	0	1	2	3	2	3
Robbery	1	0	1	2	1	0
Bonds	1	0	2	5	2	2
Life Insurance	5	7	22	9	8	4
Ocean Marine Insurance	3	4	3	3	2	3
Reinsurance	0	0	0	0	0	0
Appraisers/Adjusters	4	0	0	0	2	2
Agents	6	12	28	12	13	21
Brokers	11	10	7	8	9	9
Ins. Company Employees	2	3	5	2	2	2
Insurance Companies	0	0	1	7	1	1
Miscellaneous	<u>22</u>	<u>27</u>	<u>27</u>	<u>18</u>	<u>20</u>	<u>34</u>
General Unit Totals	168	252	341	180	108	123

Investigations	2000	2001	2002	2003	2004	2005
Workers' Comp Unit Totals	527	409	494	571	669	624
Medical Unit Totals	72	58	57	70	71	71
No-Fault Auto Unit Totals	211	190	278	250	200	268
Arson Unit Totals	26	30	35	59	133	93
General Unit Totals	<u>168</u>	<u>252</u>	<u>341</u>	<u>180</u>	<u>108</u>	<u>123</u>
Grand Totals	1,004	939	1,205	1,130	1,181	1,179

Note: No-Fault and Auto Units merged in August 2003.
Arson Unit created in August 2003.

2000	IFBs	Cases	Arrests
Auto Unit Totals	4,228	133	201
Auto ID Unit Totals	302	65	32
Workers' Comp Unit Totals	862	527	108
Medical Unit Totals	2,287	72	36
No-Fault Auto Unit Totals	12,372	88	50
General Unit Totals	1,320	119	<u>76</u>
Grand Total		1,004	503

2001	IFBs	Cases	Arrests
Auto Unit Totals	4,718	136	210
Auto ID Unit Totals	591	150	94
Workers' Comp Unit Totals	1,733	409	79
Medical Unit Totals	1,665	58	16
No-Fault Auto Unit Totals	15,219	62	107
General Unit Totals	1,626	<u>124</u>	<u>48</u>
Grand Total		939	554

2002	IFBs	Cases	Arrests
Auto Unit Totals	3,811	181	196
Auto ID Unit Totals	536	179	107
Workers' Comp Unit Totals	1,086	494	101
Medical Unit Totals	1,620	57	27
No-Fault Auto Unit Totals	14,852	113	182
General Unit Totals	1,680	<u>181</u>	<u>94</u>
Grand Total		1,205	707

2003	IFBs	Cases	Arrests
No-Fault/Auto Unit Totals*	5,770	195	332
Auto ID Unit Totals**	191	63	27
Workers' Comp Unit Totals	1,121	571	110
Medical Unit Totals	1,864	70	27
No-Fault Auto Unit Totals*	17,253	88	244
General Unit Totals**	1,747	117	64
Arson Unit Totals	139	<u>26</u>	<u>7</u>
Grand Total		1,130	811

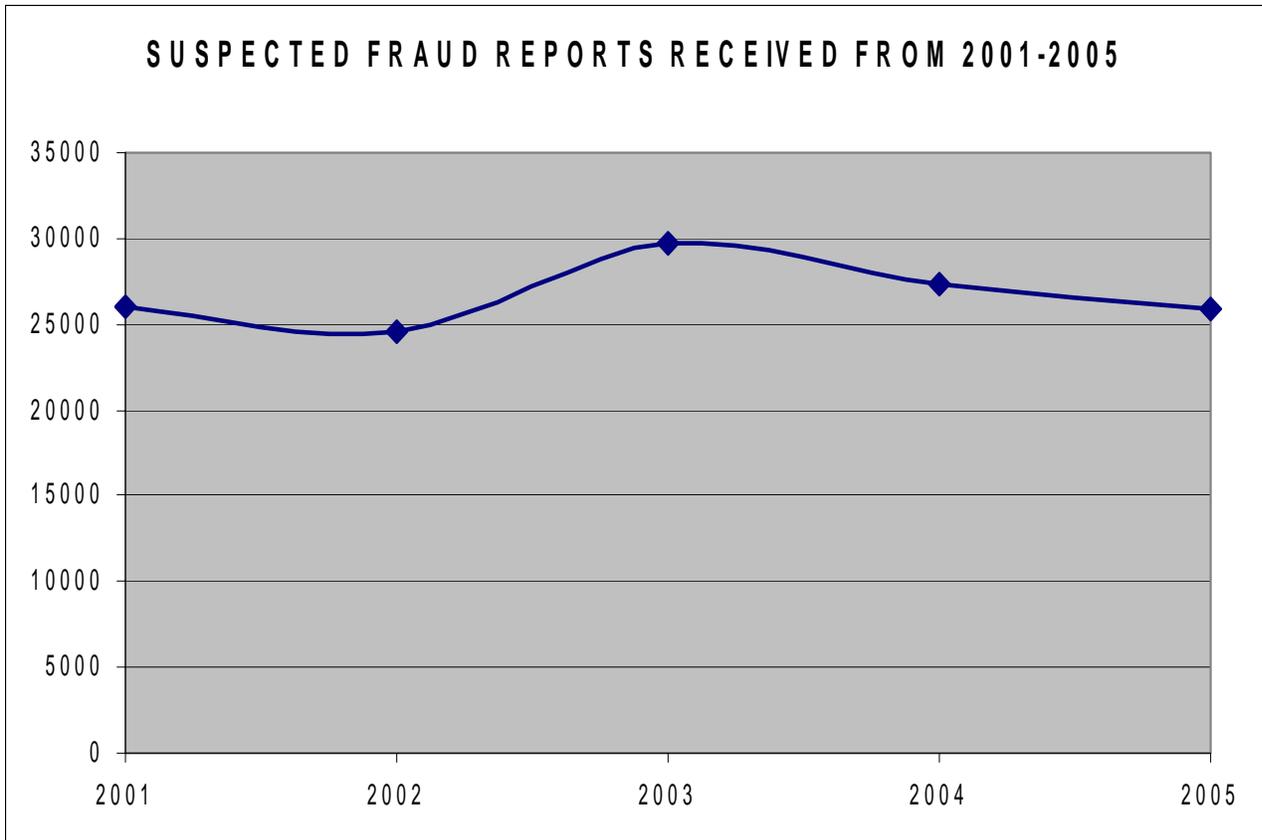
* Auto Unit and No-Fault Unit merged in 8/03.

** Auto ID Unit merged into General Unit in 8/03.

2004	IFBs	Cases	Arrests
No-Fault/Auto Unit Totals	19,580	200	479
Workers' Comp Unit Totals	1,027	669	155
Medical Unit Totals	2,301	71	44
General Unit Totals	2,209	108	75
Arson Unit Totals	565	<u>133</u>	<u>62</u>
Grand Total		1,181	815

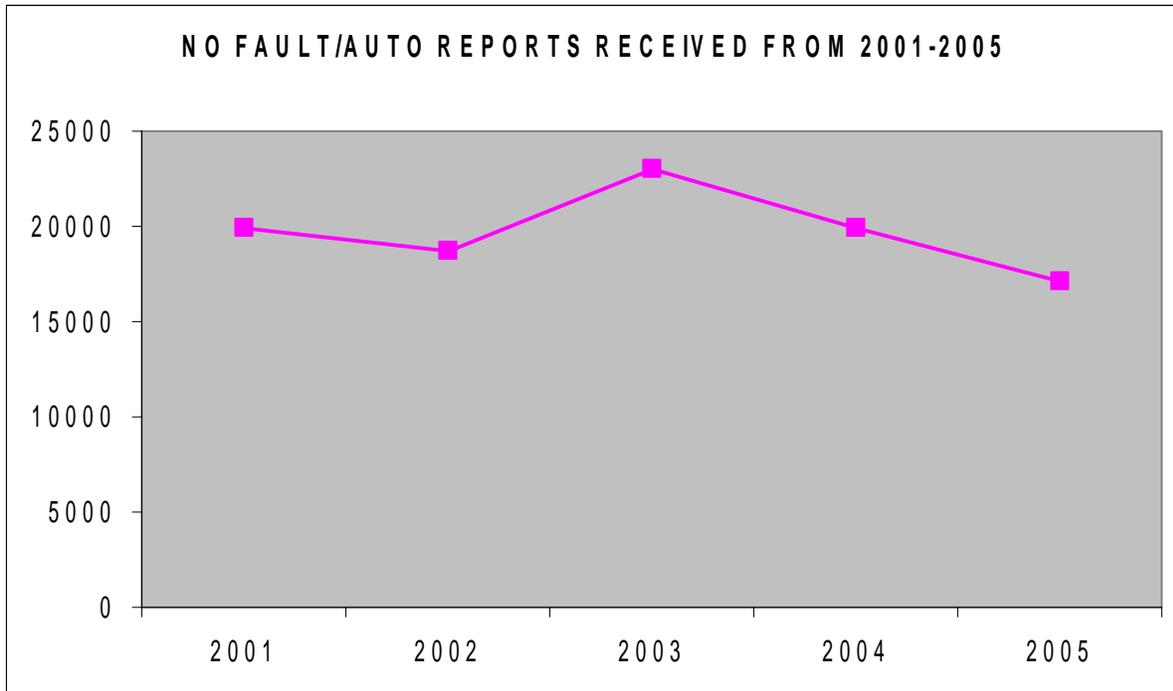
2005	IFBs	Cases	Arrests
No-Fault/Auto Unit Totals	17,124	268	391
Workers' Comp Unit Totals	1,118	624	147
Medical Unit Totals	2,279	71	68
General Unit Totals	499	123	88
Arson Unit Totals	2,553	<u>93</u>	<u>59</u>
Grand Total		1,179	753

POSITIVE TREND



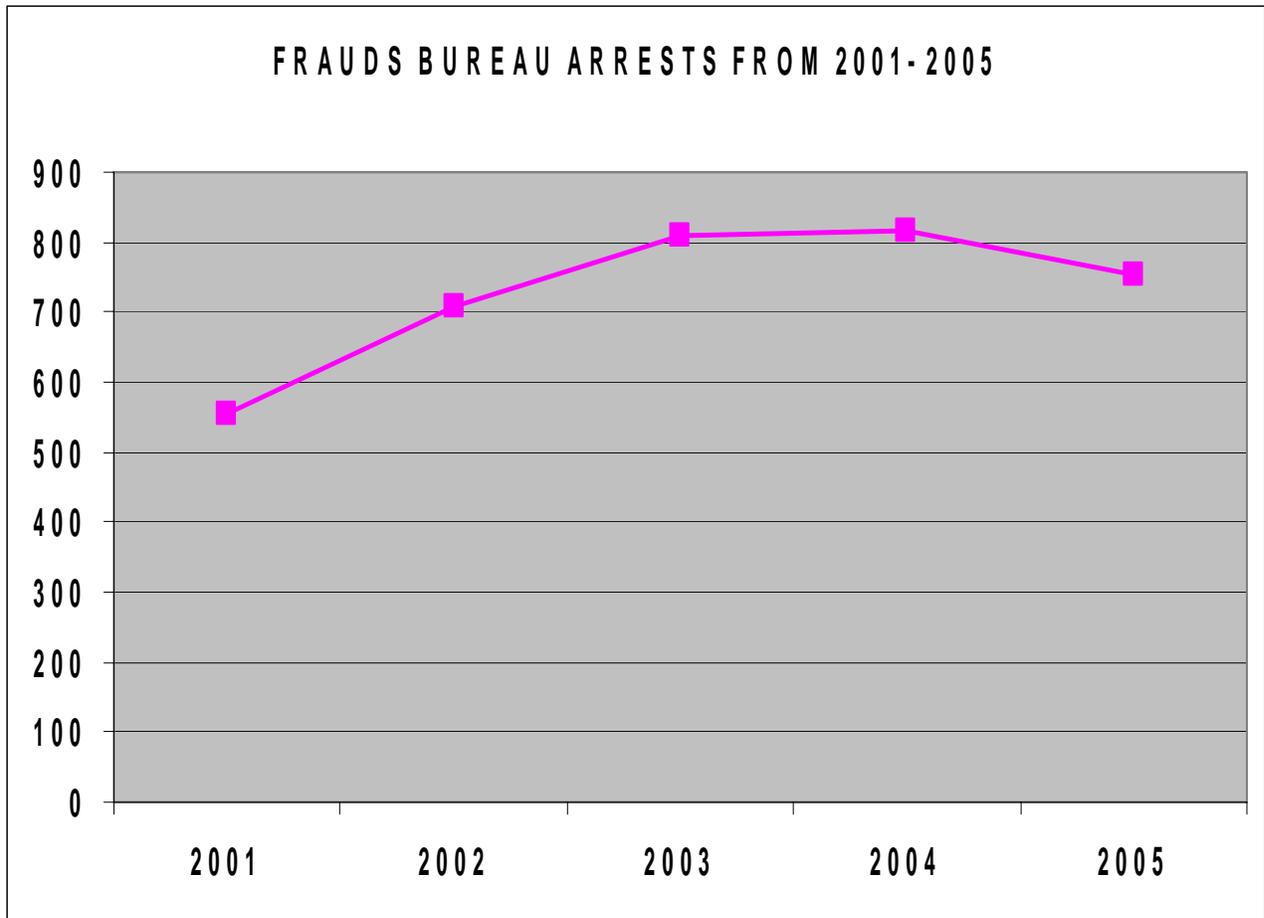
- The Frauds Bureau has asked the industry to report not only clear incidents of insurance fraud but even those incidents with just the suspicion of fraud. Yet in the past three years, we have seen a decrease in the number of fraud reports submitted by the industry, a trend directly related to the combined efforts of the Frauds Bureau and prosecutors. Aggressive enforcement of the law leads to a reduction in crime.

RATE REDUCTIONS=SIGNIFICANT SAVINGS



- Reports of no-fault fraud have declined significantly in the past three years as major no-fault mill operators have been arrested and prosecuted. No-fault fraud is one of the costliest types of insurance fraud, driving up auto rates for all New York drivers.

HIGH-LEVEL AGGRESSIVE ENFORCEMENT



- The Frauds Bureau and New York State prosecutors developed high-level complex investigations that led to the arrest and prosecution of the top-level organizers of fraudulent enterprises that cost consumers millions of dollars a year in higher insurance rates.

Miscellaneous Statistics

A. Technical and Monetary Contributions

During 2005, the Bureau received \$37,602 from plea-bargain arrangements. These funds are allocated in connection with joint investigations conducted under the supervision of local district attorneys.

B. Civil Penalties

Civil Penalties totaling \$42,719 were imposed in 5 cases under Section 403 of the Insurance Law in 2005.

**Insurance Frauds Bureau
Training Program
Insurers, Law Enforcement and Community Groups
2005**

Date	Group	Location	Number of Attendees
12/27/05	New York City Police Academy (recruits)	New York, NY	800
11/28/05	Westchester County Police Academy (recruits)	Valhalla, NY	53
10/19/05	Business Council of New York State	Albany, NY	12
10/11/05	NYS Office of Fire Prevention and Control	Montour Falls, NY	30
09/28/05	Southern Tier Claims Association	Binghamton, NY	15
09/28/05	Hereford Insurance Company	Queens, NY	35
08/09/05	Utica First Insurance Company	Oriskany, NY	15
08/04/05	New York Prosecutors Training Institute	Syracuse, NY	75
07/19/05	Columbia Mutual Insurance Company	Vestal, NY	22
06/30/05	New York City Police Academy (recruits)	New York, NY	720
06/28/05	New York City Police Academy (recruits)	New York, NY	700
06/23/05	New York Anti Car Theft and Fraud Association	Syracuse, NY	73
06/14/05	New York Anti Car Theft and Fraud Association	Albany, NY	55
06/14/05	NYS Office of Fire Prevention and Control	Montour Falls, NY	23
05/11/05	Buffalo Claims Association	Buffalo, NY	40
05/10/05	Westchester County Department of Public Safety	Valhalla, NY	30
05/06/05	New York City Police Department	Queens, NY	30
05/05/05	Capital District Fire Investigators	Albany, NY	25
04/29/05	Rochester Police Department	Rochester, NY	32
04/19/05	Genesee Community College	Batavia, NY	10
04/15/05	AIG Insurance Company	Mineola, NY	10
04/08/05	AIG Insurance Company	Albany, NY	22
04/08/05	Capital District Auto Crime Task Force	Albany, NY	90
03/22/05	Tower Insurance Company	New York, NY	21
03/21/05	NYS Office of Fire Prevention and Control	Montour Falls, NY	30
01/21/05	Allstate Insurance Co. Claims Representatives	Buffalo, NY	15
01/19/05	NYS Special Investigations Units	Syracuse, NY	75
01/18/05	New York Anti Car Theft and Fraud Association	Melville, NY	55
01/12/05	New York State Sheriff's Association	Albany, NY	65
TOTALS	GROUPS 29	PARTICIPANTS	3,178

**Fraud Plans on File – as of
12/31/05**

ACE USA	Erie Insurance
Aetna	Eveready
AFLAC	Excellus
Agway	Family Farm
AIG	Farmers Insurance Group
Allianz Life	Fireman's Fund
Allmerica Financial	First Ameritas
Allstate	First Fortis
Allstate Life	First Rehabilitation
Amalgamated Life	First Reliance
American General – US Life	First United American
American Medical	GE Financial Assurance
American Modern	GE Auto and Home Assurance
American Progressive	GEICO Direct
American Transit	General Casualty – Blue Ridge
AmeriChoice	Gerber
AMEX Assurance	GHI
Amica	Great American
AM Trust Financial Rochdale	Great American Ins. Specialty Division
Assurant	Guardian
Atlantic Mutual	Harleysville
Atlantic State (Donegal)	Hartford Life
AUSA	Healthplex
AutoOne Insurance	Hereford Insurance
Balboa	Highmarks
Capital District Physicians	HIP Health
Central Mutual – All America	Horizon
Chubb Group	Hudson
CIGNA	Independent Health
CIGNA – INA Life	ITT Hartford
Cincinnati	John Hancock
Clarendon	Kemper Auto and Home
Clermont Specialty	Lancer
CNA	Liberty Mutual
Combined Life	Massachusetts Casualty
Country-Wide	MDNY
Crum & Forster	Merchants & Business Men's
CUNA Mutual	Merchants Insurance
Dairyland	Mercury Insurance
Delta Dental	MetLife
Dentcare	MetLife –Property
Electric Insurance	Metroplus
Empire Plan Blue Cross/Blue Shield	Michigan Millers

Mutual of Omaha
MVP Health
National Benefit Life
National General
National Grange Mutual
Nationwide
New York Automobile Plan
New York Care Plus
New York Central Mutual
New York Life
Nippon Life
North Star
Northwestern Mutual
Nova
Ohio Casualty
OneBeacon – CGU
Oxford Health
Peerless
Physicians Health Service
Preferred Care
Preferred Mutual
Principal Life
Progressive Casualty
Provident
Provident Washington
Prudential Insurance
PSM

Reliastar Life
Response
Safeco
SBLI
Security Mutual
Selective Insurance
St. Paul
Standard Life
Standard Security
State Farm
State Insurance Fund
State-Wide
Sun Life
Teachers
Tower Insurance Company of New York
Travelers
Tri-State Consumer
Trustmark
Unicare-Wellpoint
Union Fidelity
Union Labor Life
United Concordia
United HealthCare of NY
Unitrin Direct Insurance
USAA
Utica Mutual
VYTRA
Zurich

Insurance Frauds Bureau Staff – December 31, 2005

MANHATTAN OFFICE

Director
Deputy Director
Deputy Director/Counsel

1 Chief Investigator
1 Assistant Chief Investigator
6 Deputy Chief Investigators
6 Senior Investigators
2 Investigators

1 Principal Insurance Examiner
1 Senior Insurance Examiner
1 Insurance Examiner

1 Senior Training Officer

1 Assistant Director of Research

1 Secretary I
1 Calculations Clerk 2
3 Keyboard Specialists

BROOKLYN OFFICE

1 Deputy Chief Investigator
3 Senior Investigators
2 Investigators

MINEOLA OFFICE

1 Deputy Chief Investigator
4 Senior Investigators
2 Investigators

ALBANY OFFICE

5 Investigators

BUFFALO OFFICE

1 Deputy Chief Investigator
1 Senior Investigator
1 Investigator

ROCHESTER OFFICE

1 Senior Investigator
1 Investigator

SYRACUSE OFFICE

1 Assistant Chief Investigator
2 Investigators

ONEONTA OFFICE

1 Deputy Chief Investigator
1 Senior Investigator
3 Investigators

Insurance Frauds Bureau Offices

MANHATTAN OFFICE

25 Beaver Street
Suite 542
New York, NY 10004
(212) 480-6074
Fax # (212) 480-6066

BROOKLYN OFFICE

185 Montague Street
11th Floor
Brooklyn, NY 11201
(718) 237-6027
Fax # (718) 237-6091

MINEOLA OFFICE

163 Mineola Blvd.
Mineola, NY 11501
(516) 248-5870
Fax # (516) 248-5727

ALBANY OFFICE

One Commerce Plaza
Albany, NY 12257
(518) 474-2632
Fax # (518) 473-0369

BUFFALO OFFICE

Walter J. Mahoney State Office Bldg.
65 Court Street - Room 7
Buffalo, NY 14202
(716) 847-7622 or 7618
Fax # (716) 847-7925

ROCHESTER OFFICE

189 North Water Street
Rochester, NY 14604
(585) 325-3274
Fax # (585) 325-6746

SYRACUSE OFFICE

620 Erie Blvd., West
Suite 105
Syracuse, NY 13204
(315) 423-1102
Fax # (315) 423-1102

ONEONTA OFFICE

Homer Folks Facility
28 Hill Street, Room 210
Oneonta, NY 13820
(607) 433-3628
Fax # (607) 433-3623