



STATE OF NEW YORK
INSURANCE DEPARTMENT
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New York, New York 10004

Eliot Spitzer
Governor

Louis W. Pietroluongo
Acting Superintendent

January 15, 2007

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 for Calendar Year 2006. I am particularly proud that this report commemorates the 25th Anniversary of the Frauds Bureau. The report documents a number of significant achievements during the past year and illustrates the Bureau's longstanding commitment to the fight against insurance fraud in New York State.

The Bureau has devoted its resources to the detection, investigation and prevention of insurance fraud wherever it occurs in this State. We have made strides in strengthening and nurturing our relationships with law enforcement, prosecutors and the industry's Special Investigations Units. This multi-agency cooperation was evident in the success of many of the Bureau's investigations during 2006.

The Bureau's aggressive anti-fraud efforts began to pay dividends in 2004 and 2005 with a significant decline in insurer losses. That trend continued through 2006, translating into a continued reduction in auto insurance rates for New York's drivers. A most recent example of the Bureau's anti-fraud efforts is an investigation that led to the arrest of eight downstate men in December who were charged with registering a fleet of commercial vehicles in upstate New York but operating the vehicles exclusively in New York City. Thus, they avoided the higher auto insurance rates charged in the City and defrauded insurers of nearly \$1.5 million in premiums.

We are aware that many challenges lie ahead. We accept the task with renewed vigor and we welcome the opportunity to continue to serve the people of New York State.

Respectfully,

Louis W. Pietroluongo
Acting 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)

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I. The Insurance Frauds Bureau 1981-2006

Twenty-Five Years of Service to the People of New York State

Twenty-five years ago, then-Governor Hugh L. Carey enacted legislation that brought the Insurance Frauds Bureau into existence as a law enforcement agency within the New York State Insurance Department. Since that time, the Bureau has grown into one of the premier agencies in the country dedicated to the investigation of insurance fraud. Here are highlights from our extraordinary history.

1981 On November 1, the Frauds Bureau is created. Its mission: to detect and apprehend those who commit insurance fraud and to change the public perception of insurance fraud as a victimless crime. The staff: 13 investigators, an insurance examiner and support staff under the supervision of a Director, Deputy Director and Frauds Bureau Counsel.

1982 The Bureau breaks its first major case, Claridge Brokerage, the largest producer of Assigned Risk business in New York; 28 are indicted in a \$50 million fraud scheme. Federal authorities subsequently file charges under RICO against many of these individuals.

1983 The Bureau branches out, formalizing its liaison with the insurance industry. Regular meetings with insurer SIUs are scheduled for training and networking. Legislation is enacted extending the Bureau's sunset provision to January 1, 1987.

1985 Bureau investigations result in the denial of fraudulent claims and restitution exceeding \$3 million. The New York Frauds Bureau is one of only four frauds bureaus in the country.

1986 The Bureau joins California, Florida, Idaho, Nevada, North Carolina and Ontario, Canada, to establish the International Association of Insurance Fraud Agencies to encourage other states to create insurance fraud units.

1988 The Bureau establishes a Medical Unit in response to an increasing number of health care fraud reports. The Unit meets with major health insurers to discuss problem providers and potential fraud situations.

1990 A 162-count indictment charges 15 Brooklyn residents with participating in an organized fraud ring. The defendants are accused of conspiring to file accident reports falsely claiming damage to luxury cars which they owned or leased.

1991 ABC TV's news program "20/20" features a Frauds Bureau case in which an undercover correspondent is seen on hidden camera buying a stolen car. Twenty-six suspects are arrested and 53 vehicles are recovered.

1992 New laws authorize the Insurance Department to impose *civil penalties* on those who commit insurance fraud and permit a fine for possession of fraudulent automobile identification cards.

1993 Bureau investigative staff increases to 19 in New York City and 5 upstate in response to an increased workload. An Auto Unit and a General Unit are created to accompany the Medical Unit.

1995 The Bureau strengthens its relationship with the Attorney General's Criminal Prosecutions Bureau, particularly in the area of health insurance fraud. At year-end, the Medical Unit is actively pursuing 26 investigations in conjunction with the AG's Office.

1996 The Bureau establishes a toll-free hotline for reporting insurance fraud. The number of fraud reports soars to 22,343, an increase of 760% over the total for 1982, the Bureau's initial year. Arrests, at 154, and convictions, at 57, are also well above 1982 levels.

1997 Two new units – Organized Fraud and Workers' Compensation – are created and a regional office is opened in Mineola to investigate cases originating in Nassau, Suffolk and Queens.

1998 Legislation requires insurers to file a Fraud Prevention Plan with the Superintendent. The Bureau receives 305 Plans for review and approval. The Bureau hosts its first off-site seminar for insurers and law enforcement agencies to share information and hone investigative skills.

1999 The Bureau issues its first Manual of Procedures, sponsors two conferences, launches the Frauds Resource Center on the Department's Web site, publishes a consumer brochure, and introduces an electronic fraud reporting system.

2000 Bureau staff meets with prosecutors from each of New York’s 62 counties and assists the industry in launching four major public awareness advertising campaigns.

2001 In response to the events of 9/11, the Bureau institutes a dedicated hotline and fax line, establishes a procedure for fast-tracking World Trade Center-related claims, and staffs an emergency center 12 hours a day, 7 days a week.

2002 The Bureau receives the Anthony M. Kane Achievement Award presented each year by the Northeast Chapter of the International Association of Theft Investigators for outstanding achievement in the field of fraud investigation and prevention.

2003 With a new Director and Deputy Director, the Bureau undergoes a restructuring, combining the Auto Unit and the No-Fault Unit into one Organized/No-Fault/Auto Unit, creates a position of Statewide Auto Unit Coordinator and opens a satellite office in Brooklyn to reduce the incidence of fraud in an effort to help control auto insurance premiums for consumers in that borough.

2004 Deputy Chief Investigator August D’Aureli presents testimony before the New York State Senate Standing Committee on Insurance on February 9, 2004. The Committee was studying the incidence of no-fault insurance fraud in New York State and wanted to hear from someone “in the trenches.”

2005 Six members of the Bureau’s No-Fault Unit are part of a 15-member team that receives a Governor’s Office of Employee Relations Workforce Champions Award for their successful fraud-fighting efforts in “Operation Auto Rates,” a multi-faceted strategy to reduce auto premiums in New York State. New York drivers save more than \$400 million in auto insurance premiums.

2006 The Bureau’s Web-based Fraud Reporting and Case Management System, three years in the planning-and-development stage, is gearing up for roll-out. The new system is designed to enhance the effectiveness and accuracy of fraud reporting using drop-down menus, and also allows for the attachment of images and documents. Under the new automated system, virtually all of the Bureau’s principal tasks will be Web-based, including case management and statistical tracking.

In this, our 25th year of operation, we are stronger and more committed to our mission than ever before and we welcome the opportunity to continue to serve the people of the State of New York.

II. The Insurance Frauds Bureau

The Bureau's vision of joining with the insurance industry, prosecutors and law enforcement agencies on the federal, state and local levels as members of a cohesive fraud-fighting team with cooperation, communication and commitment as its cornerstone was reinforced during 2006.

- **The Attorney General's Office** – Governor Pataki appointed the Attorney General as Special Prosecutor for insurance fraud on the State level in 2001 and directed the Insurance Department to authorize the Special Prosecutor to undertake investigations and prosecutions directly. Since that time, investigators from the Frauds Bureau and the AG's Office have forged a partnership that has resulted in numerous success stories.

For example, the Frauds Bureau and the AG's Office teamed up with the New York State Banking Department, the Brooklyn and Suffolk County DAs' Offices, the FBI, the U.S. Department of Labor, the New York State Department of Taxation and Finance and the New York-New Jersey Waterfront Commission in an investigation that led to the arrest of eight persons for their participation in a multi-million dollar residential mortgage fraud scheme. This case and many others conducted during 2006 are summarized in ***Section IV. A*** of this Report.

- **Other Multi-Agency Investigations** – The Frauds Bureau's continued efforts to work closely with its fraud-fighting partners in law enforcement and the industry reflect our Statewide approach to combating insurance fraud. The Arson Unit has worked closely with the Auto Fraud Unit of the FDNY Fire Marshal's Office and the NYPD's Arson Explosion Squad, as well the Bureau of Alcohol, Tobacco, Firearms and Explosives. The Unit also acts as a liaison with the New York State Office of Fire Prevention and Control, as well as local arson units and fire departments across the State.

In addition, the Bureau joined forces with the NYPD's Fraudulent Accident Investigation Squad and its Auto Crime Division on many no-fault and other auto-related fraud investigations and with the Workers' Compensation Fraud Inspector General's Office and the State Insurance Fund on workers' compensation fraud. Bureau staff has also worked hand-in-hand with the FBI, the U.S. Attorney's Office, the U.S. Postal Inspector's Office, the State Police and local police departments and sheriff's offices throughout the State.

These collaborative efforts will continue into 2007 and beyond.

- **Task Force/Working Group Participation** – The Frauds Bureau is an active participant in numerous task forces and working groups designed to foster cooperation among the many agencies in the State that share common goals. Participation provides the opportunity for information sharing, networking and honing investigative skills. Among the groups in which Bureau staff participated during 2006 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 Crimes 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 City of Albany Arson Task Force
The Joint Arson Task Force of New York State
The Health Care Task Force
The Western New York Inter-County Arson Reduction Usernet System
(Project ICARUS)
Motor Vehicle Theft and Insurance Fraud Prevention Board (DCJS)
High Intensity Drug Trafficking Area (HIDTA)
High Intensity Financial Crimes Area (HIFCA)
Upstate New York Regional Intelligence Center (UNYRIC)

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 addition offices across the State: Brooklyn, Mineola, Albany, Syracuse, Oneonta, Rochester and Buffalo. 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 of the Bureau is responsible for all of the Bureau's 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.

Bureau staff consists of 39 investigators, organized into six specialized units: Arson, General, Medical, Organized/No-Fault/Auto, Workers' Compensation and Upstate. Each unit is supervised by a Deputy Chief Investigator. General oversight of the investigative staff is the responsibility of the Chief Investigator with the assistance of two Assistant Chief Investigators.

The Bureau also has a Training Officer who is responsible for in-service and firearms training for all investigative staff, as well as conducting training sessions for law enforcement agencies and industry groups. (See **Section III. G** of this Report.) A Statewide Auto Unit Coordinator/Quality Control Officer who monitors patterns and trends in auto insurance fraud,

oversees the Bureau's files, recordkeeping and case management, supervises Bureau staff assigned to HIDTA (High Intensity Drug Trafficking Area) and coordinates the operation of the Department's Mobile Command Center. (See *Section IV. C* of this Report.) Both of these staff members report to the Chief Investigator.

In addition, the Bureau has a unit that includes a Senior Examiner and an Examiner who report to 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 22,884 reports of suspected fraud in 2006. Of that total, 22,158 were received from licensees required to submit such reports to the Department, and 726 were received from other sources, such as consumers and anonymous tips. A total of 1,101 new cases were opened for investigation during the past year. At the same time, investigations continued in numerous cases opened in prior years.

During 2006, the Bureau referred 274 cases to prosecutorial agencies for criminal prosecution and another 54 for civil settlement or referral to the Department's Office of General Counsel for civil proceedings. Tables showing the number of fraud reports received, investigations opened and arrests by type of fraud appear in the Appendices to this Report.

D. Arrests

Frauds Bureau investigations led to 604 arrests for insurance fraud and related crimes during the past year. Many of these investigations dealt with sophisticated conspiracies involving medical clinics, physicians and other health care professionals and attorneys. The medical professionals caught in these investigations were charged with prescribing unnecessary treatments and excessive diagnostic tests, billing for services not provided or billing for treatment of nonexistent injuries. Attorneys involved in these kinds of scams filed fraudulent 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 agencies and prosecutors.

In one such case, a 20-month investigation conducted jointly by the Frauds Bureau, the Attorney General's Auto Insurance Fraud Unit and the NYPD's Fraudulent Accident Investigation Squad resulted in three separate indictments charging 17 people and three corporations with participation in an elaborate no-fault insurance fraud scheme.

White-collar fraud is another complex crime that requires cooperation among agencies and a good deal of perseverance to solve. During 2006, for example, an investigation by the Frauds Bureau, the Attorney General's Office and a number of other state and federal agencies brought a halt to a multi-million dollar residential mortgage fraud scheme and led to the arrest of eight suspects. Attorney General Spitzer also announced the filing of a civil forfeiture action seeking recovery of more than \$8 million from the defendants. Summaries of these cases and many others investigated during 2006 can be found in *Section IV. A* of this Report.

These collaborative efforts and the many like them that the Frauds Bureau was involved in during the past year have had a major impact in reducing insurance fraud in New York State.

E. Fines

In 2006, Bureau activities resulted in stiff fines being levied against 14 persons who were sentenced to pay almost \$8.1 million in court-ordered restitution. In addition, individuals in 8 cases made voluntary restitution amounting to \$578,674 during the year. In another 38 instances, insurers saw savings of nearly \$1.5 million in connection with fraudulent claims under investigation by Frauds Bureau staff.

F. Asset Forfeiture Funds

As a result of an investigation conducted jointly by the Frauds Bureau, the Manhattan DA's Office and the NYPD's Fraudulent Accident Investigation Squad, a corporation that acted as a broker for New York City taxis and its owner were charged on June 9, 2005 in connection with the systematic fraudulent inflation of damage claims arising from accidents involving taxis. On June 28, 2005, the corporation's owner pleaded guilty to scheme to defraud in the 1st degree and insurance fraud in the 4th degree. He was sentenced to nine months in prison and agreed to pay a financial penalty of \$1 million, \$478,300 of which was paid to 70 insurers in restitution. The remainder was distributed among the three investigating agencies. The Insurance Department received a check for its share, \$106,948.50, in September 2006.

G. Training

Investigators new to the Bureau participate in an Entry-Level Training Program developed and administered by the Bureau's Training Officer to address the needs of new investigators. The Training Officer also conducts an In-Service Training Program for all investigative staff members. Both programs 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. Frauds Bureau investigators are seasoned professionals with extensive law enforcement experience and often exceed these high standards of performance.

The Training Officer, with the assistance of another Bureau investigator, provides both upstate and downstate investigative staff with appropriate instruction in firearms safety and proficiency. Both trainers are Certified Firearms Instructors. Yearly recertification is required by the Division of Criminal Justice Services. However, Frauds Bureau investigators recertify semi-annually, demonstrating the importance the Bureau attaches to the responsibilities involved in the proper use of firearms.

On October 20, 2006 as part of routine firearms training, the upstate investigators took part in a training session in "Law Enforcement Officers Flying Armed," conducted by the Bureau's Training Officer and the assistant trainer. This training is federally mandated for law enforcement officials who are called upon to travel while armed, for example, to extradite a prisoner. Downstate investigators will participate in this same training during 2007.

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 several police departments around the State during 2006, including eight sessions at the New York City Police Academy that were attended by 2,610 recruits. Training was also provided for 184 members of the Rochester Police Department including 98 recruits, as well as more than 180 members of the Rockland County Police Department. The Bureau pays special attention to the training of police recruits because police officers are often the first responders to auto accidents and other emergency situations. The Bureau is keenly aware that their ability to recognize insurance fraud can be critical to an investigation. A complete list of the groups for which Frauds Bureau investigators provided training during 2006 appears in the Appendices to this Report.

H. Continuing Education

Investigators, examiners and support staff routinely attend career development seminars and training programs to increase their proficiency in investigative procedures, computer skills and problem-solving techniques to ensure they stay current with emerging developments in fraud investigation.

During 2006, Bureau staff took advantage of many of the educational opportunities available through the New York State Academy of Fire Sciences, the New York Anti Car Theft and Fraud Association, the Federal Emergency Management Association and the Mid-Atlantic Great Lakes Organized Crime Law Enforcement Network, among others. Moreover, the Insurance Department offers an annual course in defensive driving that is required for the investigative staff. The course is also available to all Department employees.

I. Fraud Prevention Plans

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 2006, there were 152 Plans on file. A complete list of insurers with Plans on file as of 12/31/06 appears in the Appendices to this Report.

J. Public Awareness Programs

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 and applicants. In an effort to achieve that goal, 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 State, carries out major advertising campaigns using newspapers, radio, television and billboards to target insurance consumers. In addition, several individual companies have ongoing programs to heighten awareness and reduce public tolerance for insurance fraud. As a result, these anti-fraud messages reach millions of New Yorkers during the course of the year. The Bureau has a frauds hotline

(1-888-FRAUDNY) and consumers are encouraged to report suspected insurance fraud. Calls to the hotline averaged 49 a week during 2006.

K. 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 of 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.

IV. The Year in Review

A. Major Cases

Multi-agency investigations and arrest sweeps lead to a significant number of arrests in any given year and 2006 was no exception. However, not to be overlooked are the numerous arrests that resulted from the day-to-day investigations conducted by Frauds Bureau investigators. Below are summaries of some of the cases investigated during the past year.

January

ARRANGED THEFT

- Evidence uncovered during an investigation by the Frauds Bureau, the Niagara County DA's Office and the Niagara Falls Police Department led to the arrest on 1/10/06 of a suspect accused of stealing a 2005 Chevrolet Equinox valued at \$25,000. Further investigation resulted in the arrest ten days later of the owner of the car who allegedly paid the first suspect to steal his car so he could collect the insurance settlement. The owner was charged with grand larceny in the 3rd degree and insurance fraud in the 3rd degree. The car was located stripped the following August in a garage in Niagara Falls.

PREMIUMS WITHHELD

- A joint investigation conducted by the Frauds Bureau, the Fulton County DA's Office and the Department of Motor Vehicles resulted in the execution of a search warrant at a local insurance agency by the Gloversville Police Department with the assistance of the Frauds Bureau. The owner of the business was arrested and accused of collecting auto insurance premiums but failing to forward the money to an insurer. The investigation began in the summer of 2005 when several of the suspect's clients complained to the DMV that their insurance had been cancelled for nonpayment of premiums in spite of the fact that they had made regular payments to the agent.

WORKERS' COMP FRAUD

- An investigation by the Frauds Bureau and St. Paul Travelers Insurance Company led to the arrest of the defendant in this case for collecting workers' compensation benefits while he was employed. The defendant injured his back while working at a car dealership and filed for benefits. He also submitted a signed affidavit stating that he was unable to work. At the bottom of the document he wrote, "Where's my check?" The insurer's attempts to contact the suspect were often unsuccessful and they suspected he might be working. They followed him on several occasions to an automotive repair business owned by his brother and caught him on audio tape answering the telephone and conducting business. The Frauds Bureau obtained payroll records indicating that he was indeed employed at his brother's business. He subsequently signed a confession.

February

NO COVERAGE

- Spurred by an anonymous report of suspected fraud, the Frauds Bureau initiated an investigation into the activities of the owner of a temporary employment agency in upstate New York. The report included a letter from the suspect to one of her clients dated 10/11/05 stating that workers' compensation insurance coverage was in place for a temporary worker she had provided to the client. In addition, the letter stated that all benefits would be paid in the event of a work-related injury. However, evidence uncovered during the investigation indicated that in March 2004, the suspect entered into a contract with this client to provide temporary workers on a regular basis. The client agreed to pay an amount equal to the worker's salary, plus 46% to cover workers' compensation insurance and other work-related expenses. From that time until her arrest, the suspect collected more than \$9,200 for insurance coverage that was never obtained. The 10/11/05 letter was apparently an attempt to hide the fact that the required coverage for the worker did not exist. The investigation also revealed that this suspect had been arrested on 9/9/05 on similar charges.

EXTRADITED

- In August 2001, the defendant in this case was indicted by a Niagara County grand jury on charges that during the first half of 1998, he collected \$5,000 in workers' compensation benefits while he was employed. However, he fled New York State before he could be arrested. In December 2005, the Niagara County DA's Office informed the Frauds Bureau that the suspect had been picked up in Westmoreland County, PA, on the outstanding Niagara County warrant. The suspect would not waive extradition, claiming he was not the person for whom the warrant was issued, which meant that a New York State Governor's warrant would be required for his return to New York. After reviewing the original indictment file, together with fingerprint cards and signatures supplied by Westmoreland County, the investigators determined there was a match. In addition, the social security number the suspect gave to the Westmoreland County DA was identical to that on a sworn statement the suspect gave at an earlier workers' compensation hearing in New York. Based on this evidence, the Governor's warrant was issued and a hearing in Pennsylvania determined he was the same person who was indicted in August 2001 in New York. The suspect surrendered himself to the Niagara County Sheriff's Department on 2/6/06 and was arraigned on 2/7/06.

March

HERS? HIS? NEITHER

- An investigation by the Frauds Bureau, the State Insurance Fund, the State Police and the Workers' Compensation Fraud Inspector General's Office led to the arrest of a 24-year-old student and her 27-year-old boyfriend. The student did not inform the State Insurance Fund about the death of her mother in April 2005. Instead, she continued to receive the workers' compensation checks issued to her deceased mother, forged her mother's signature and deposited the checks into the bank account of her boyfriend. The couple used the money, which totaled \$2,915, for personal expenses.

TWO BODY SHOPS SHUT DOWN

- Following a lengthy undercover investigation, the owner of a Suffolk County auto body shop was arrested and charged with insurance fraud. The shop allegedly enhanced damages to cars in order to generate larger insurance payouts. In addition, they billed insurers for work that was unnecessary or not done at all and billed for used replacement parts that they claimed were new. This investigation also resulted in the arrest of another body shop owner about two weeks later on similar charges. The Frauds Bureau, the Suffolk County Police Department and the Suffolk County DA's Office conducted the investigation with the assistance of Liberty Mutual, GEICO and Chubb Insurance Companies.

April

GONE TOO FAR

- A special education teacher, formerly with the Cohoes City School District and now a New Hampshire resident, was accused of collecting thousands of dollars in disability benefits based on a fraudulent claim that she had cancer. She apparently shaved her head and wore a scarf to make her colleagues believe she had lost her hair from chemotherapy treatments. She filed allegedly fraudulent documents stating that she was unable to continue her employment. The defendant turned herself in to the Cohoes Police Department and was released on a \$10,000 bond. An investigation by the Frauds Bureau and the Cohoes PD led to her arrest.

WILD CONCOCTION

- On 3/7/06, defendant #1 in this case submitted a claim to General Casualty Insurance Company for a slip-and-fall accident she allegedly was involved in. In support of the claim, she included four handwritten letters. The first was a cover letter from her explaining her loss. The second was from her employer, an antiques dealer, stating that she had missed three weeks of work. The third letter was from her boyfriend, defendant #2, stating that she had paid him \$250 to care for her for three days due to the injury incurred in the fall. The fourth was from the boyfriend's mother stating that defendant #1 had paid her \$115 to provide transportation to and from the doctor. In the course of the investigation, the Frauds Bureau obtained a sworn statement from the purported former employer stating that he had closed his business in 1998 and sold the property for residential use. He further stated that the woman in question had never worked for him. On 4/25/06, defendant #1 signed a voluntary statement confessing that she and her boyfriend had concocted the entire scheme and that she had never

paid the boyfriend or his mother for any care or transportation. The boyfriend subsequently confessed that he had forged the letter from the alleged former employer.

MORTGAGE FRAUD

- An investigation by the Frauds Bureau, the Attorney General's Office, the New York State Banking Department, the Brooklyn and Suffolk County DAs' Offices, the FBI, the U.S. Department of Labor, the New York State Department of Taxation and Finance and the New York-New Jersey Waterfront Commission led to the arrest of eight individuals for their participation in a multi-million dollar residential mortgage fraud scheme. The Attorney General also announced the filing of a civil forfeiture action seeking recovery of more than \$8 million from the defendants. These defendants stole millions of dollars from banks and other financial institutions by submitting false and forged documents to secure mortgage loans. They paid people (known as "straw buyers") to represent themselves as legitimate real estate buyers and, in order to obtain the loans, provided the banks with reports that inflated individual properties by \$100,000 or more. A scheme detailed in the indictment as an example involved the sale of a house in Brooklyn. The true purchase price was \$310,000. However, this group informed the bank that the price was \$450,000 and applied for a loan in that amount. The group provided the bank with false information about the financial condition of the person they paid to pose as a legitimate buyer and filed a forged appraisal report. They then pocketed the bulk of the inflated amount and allowed the loan to go into default.

May

UNSCRUPULOUS AGENT

- When the brother of a home health care worker was murdered in June 2001, her co-worker, who was also an agent for Combined Life Insurance Company of New York, persuaded her to take out an accident and disability policy and name herself as beneficiary. The insurance agent backdated the application to a date prior to the murder and the policy was issued. The home health care worker filed a claim with Combined Life and was paid a settlement of \$15,500. The agent was arrested on 5/31, her accomplice the day before. The Frauds Bureau, the State Police and Combined Life pooled resources in the investigation that led to the arrests.

MEDICAL MILL

- A Long Island neurologist was the latest suspect to be arrested in the ongoing investigation into the operations of a medical mill in Tuckahoe, NY. Of the 37 individuals who have been charged, 29, including physicians and runners, have been convicted, 7 others await trial and a warrant was issued for another. An 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 led to the arrests. These defendants routinely filed claims for expensive treatments that were never provided and billed for medical services on behalf of patients who had not even been in an accident. The scheme defrauded insurers of more than \$12 million in fraudulent claims.

CAR FIRE

- On 2/21/06, the defendant in this case reported to the Yorktown Police Department and to Progressive Insurance Company that his 1999 Volkswagen Passat had been stolen from a shopping mall where he had parked it at about 8:30 p.m. that night. However, he was unaware that at 11:00 p.m. the night before, 2/20/06, the FDNY responded to an alarm in Brooklyn where they found the Passat on fire. Because of the suspicious nature of the fire, the matter was referred to the Bureau of Fire Investigations which requested the assistance of the Frauds Bureau. Following an investigation, the suspect was interviewed at which time he provided both written and verbal statements admitting that he had arranged to have his car burned.

June

ALL IN THE FAMILY

- Five members of a family of seven, previously arrested in March 2006 and accused of participating in an elaborate staged-accident scam, were indicted for the second time in three months on similar charges. A two-year investigation led to the earlier arrests of the suspects, a well-known Albany area prizefighter and his wife, mother, father, sister, brother and brother-in-law. They are suspected of staging hundreds of accidents over a 15-year period, targeting elderly and drunken drivers. They then filed claims and collected as much as \$750,000 in phony insurance payments. They were able to escape detection for so long because they kept the accidents relatively minor and filed claims for relatively small insurance payments. The Frauds Bureau, the Albany County DA's Office, the Albany Police Department and the Department of Motor Vehicles combined efforts in this investigation. This recent indictment included the two brothers, their wives and their father.

CARS REPAIRED, MAYBE NOT

- On 2/22/06, a GEICO Special Investigations Unit investigator and a mechanic at a local used car sales lot met with the Frauds Bureau. The mechanic reported that while employed at the used car lot, he repaired a car using a blowtorch to bend the damaged parts into place. Then new replacement parts were ordered. According to the mechanic, when the parts arrived, the owner of the lot (who is the defendant in this case) instructed him to return the car to its original state of disrepair. Then, based on the damage and the cost of the new parts, GEICO's adjuster gave an estimate for the repair and GEICO paid the defendant a total of \$526.75. The owner then instructed the mechanic to repair the damage as he had done before and the new parts were returned for refund. Following an investigation by the Frauds Bureau, the defendant was arrested and charged.

July

17 CHARGED

- A 20-month investigation conducted jointly by the Frauds Bureau, the Attorney General's Auto Insurance Fraud Unit and the NYPD's Fraudulent Accident Investigation Squad resulted in three separate indictments charging 17 people and three corporations with participation in an elaborate no-fault insurance fraud scheme. The first indictment charged three defendants, including a doctor and a medical clinic owner, with the operation and

control of a medical clinic in Brooklyn. The "owner on paper" was the doctor, whose specialty was physical rehabilitation. The real owner, a woman who lacks a health provider license, made all the decisions about what medical services were to be provided to the patients. The clinic acquired patients using a network of "steerers" who were paid to refer patients. The steerers solicited patients by staging auto accidents and by offering the clinic's services to legitimate auto accident victims. They allegedly staged the accidents by recruiting people to pose as injured pedestrians or bicyclists, or to pose as witnesses. The Attorney General also brought a civil case against these defendants seeking forfeiture of more than \$3.9 million in the illegally gained proceeds of the scheme and has obtained a court order freezing the assets of the doctor, the clinic's owner and three corporate defendants. In the other two indictments, 14 people were accused of staging accidents throughout New York City and seeking treatment for nonexistent injuries. Two Brooklyn-based management companies, both owned by the woman who secretly owned the clinic, were allegedly used to launder the funds of the enterprise. Also assisting in this investigation was the National Insurance Crime Bureau, and Allstate, American Home, AIG, American Select, GEICO, Liberty Mutual, MetLife Auto and Home, OneBeacon, Progressive Casualty, State Farm and York Claims of AIU Insurance Companies, as well as The Robert Plan Corporation.

LAWYER FOR SALE

- The defendant in this case, a lawyer, was arrested on charges that, while acting in concert with another person also arrested, he represented an NYPD Officer in a case involving an accident that he knew the Officer had not been involved in. The Officer was working undercover at the time. He also advised the Officer to seek treatment for nonexistent injuries. The investigation was conducted jointly by the Frauds Bureau and the NYPD's Fraudulent Accident Investigation Squad.

\$200,000 FRAUD

- An investigation conducted jointly by the Frauds Bureau and the NYPD's Fraudulent Accident Investigation Squad led to the arrest of a broker who collected more than \$200,000 in premiums from a number of his clients. However, he failed to forward the money to an insurer or secure the insurance coverage. The suspect fled to Puerto Rico where he was arrested on a warrant issued in Queens Supreme Court. He was extradited to New York City on 7/11/06 and arraigned in Queens Criminal Court.

August

NO COVERAGE

- This suspect, unlicensed and acting as a broker, sold the complainant in this case a fraudulent auto insurance identification card. The complainant was unaware that the card was fraudulent until she had an accident and was informed by GEICO Insurance Company that she had no insurance coverage. The Frauds Bureau, the NYPD's Fraudulent Accident Investigation Squad and the Staten Island DA's Office combined efforts in this investigation.

FRAUDULENT CERTIFICATE

- An investigation by the Frauds Bureau and National Grange Mutual Insurance Company resulted in the arrest of a business woman accused of altering a Certificate of Commercial General Liability Insurance from National Grange to indicate that her husband's business, a cleaning service, was insured with them. Investigators learned that the woman's own business was insured through National Grange but her husband's insurer was Midrox. The investigation also uncovered evidence that the husband was trying to obtain a cleaning contract with a company that required specific amounts of coverage and particular language in the Certificate. When National Grange would not comply with the request, the woman allegedly altered the Certificate and the husband then presented it to the company in an effort to gain the contract. When the company called National Grange to verify the coverage, they learned that the Certificate was not legitimate.

September

“STOLEN” CAR TURNS UP

- On 6/18/06, an upstate woman reported to the West Seneca Police Department that her 1996 Pontiac Grand Am was stolen from a parking spot while she was shopping. However, on 7/3/06, the car was recovered by the Niagara Falls Police Department in her locked garage. When asked how the car she had alleged was stolen got into her garage, she replied that perhaps her estranged husband had parked it there “last night.” However, evidence uncovered during the investigation revealed that her husband lives in Atlanta, GA, and she had not seen him for some time. The Frauds Bureau and the West Seneca and Niagara Falls Police Departments pooled resources in this investigation.

HOT TUB TALE

- During a cold spell, the cover of a hot tub owned by the suspect in this case blew off. As a result, the pipes froze causing a total loss. The full replacement value of the hot tub was \$4,916. However, depreciation amounted to \$2,313. In an effort to collect the full replacement value, the suspect would have to show proof that he had purchased a new hot tub. So he submitted a sworn statement to New York Central Mutual Fire Insurance Company saying that he had bought a new tub and included a receipt marked “Paid in Full.” However, an investigation by the Frauds Bureau revealed that the suspect had not purchased a new hot tub as he had reported. The receipt was in fact fraudulent.

October

ENHANCED CLAIM

- An investigation by the Frauds Bureau led to the arrest of an upstate doctor who was accused of submitting a fraudulent claim to Nationwide Mutual Insurance Company. The claim provided a list of items the doctor stated were lost due to water damage in the basement of his home. However, investigators turned up evidence that his list included items not damaged, thereby enhancing the claim by \$11,000.

FINALLY CAUGHT

- The alleged nephew of a workers' compensation beneficiary continued to forge her signature and cash her benefit checks for 16 years after her death. As a result of the fraud, he collected \$178,579 to which he was not entitled. An investigation by the Frauds Bureau and the Queens DA's Office led to his arrest.

ARSON

- On 9/4/06, an upstate hospital aide reported to the Town of Tonawanda Police Department that his 2006 Chevrolet Cobalt had been stolen from his residence and he filed a \$15,000 claim with Progressive Insurance Company for the loss. On 9/6/06, the car was recovered completely destroyed by fire by the Niagara Frontier Transportation Authority in Buffalo. A detective with the Tonawanda PD suspected arson for insurance money and reported his suspicions to the Frauds Bureau. The Buffalo Fire Department's Fire Marshals agreed to assist in the investigation, and on 10/12/06 at the Fire Marshal's Office, the suspect confessed to setting fire to his car in an effort to collect on his auto insurance policy.

November

CHIROPRACTIC FRAUD

- Two partners in a Wall Street chiropractic practice were arrested on charges of billing insurers for services they did not provide and using the identical diagnoses for numerous patients. The indictment claims that one of the partners billed Oxford Health Plan \$172,000 for 230 visits by the other partner and another 229 for the partner's wife during the same one-year period. An investigation conducted jointly by the Frauds Bureau and the FBI led to the arrests.

ARIZONA ASSISTS

- A Tucson, AZ, woman was charged with continuing to cash the workers' compensation checks issued to her stepfather for more than 13 months after his death. Those checks amounted to \$6,480 in benefits during the period from 9/28/02 to 11/6/03. In addition, she certified to the New York State Insurance Fund on numerous occasions in her stepfather's name that he had not returned to work. Her arrest was the result of an investigation conducted by the Frauds Bureau and the State Insurance Fund's Division of Confidential Investigations, with the assistance of the Pima County Sheriff's Office in Arizona.

EARNING WHILE COLLECTING

- An investigation by the Frauds Bureau, the State Police and the State Insurance Fund led to the arrest of a North Syracuse man at a construction site at which he was working. Evidence found that the suspect had been classified as permanently totally disability in October 1989 following an injury sustained on the job and was receiving \$252 a week in lost-wage benefits. From that time until his arrest, he submitted written statements to the State Fund claiming he had not returned to work in any capacity. However, the investigation found that the suspect had been working full time as a contractor's laborer/painter at various locations throughout the Central New York area, while collecting more than \$53,000 in benefits to which he was not entitled.

December

MASSIVE HEALTH CARE FRAUD UNCOVERED

- Based on information received from a confidential informant, the Frauds Bureau and the Suffolk County District Attorney's Insurance Crimes Bureau initiated an undercover operation late in 2005 into the activities of two business partners in a bakery in Brooklyn. Over the course of the following year, 15 undercover operations were conducted by the confidential informant and a Suffolk County DA's Office investigator, both working undercover, which were audio and/or video taped, producing evidence that these two suspects were operating a rehabilitation/occupational therapy clinic in Hialeah, Florida, and fraudulently billing Medicare using a computer at the Brooklyn bakery. In May 2006, the Suffolk County undercover initiated discussions about purchasing the clinic and between September and November paid \$75,000 in down payments. The clinic was run by an office manager who was given about \$10,000 a week by the two Brooklyn suspects to pay runners and patients. Runners were paid \$800 to \$1,200 for each patient they referred to the clinic, while the patients themselves received \$500 for each cycle of treatment. In mid-2006, investigators from the National Insurance Crime Bureau and the Suffolk County DA's Office contacted the Hialeah Police Department to inform them of their suspicions about the clinic. Subsequently, the Hialeah Police Department, the Florida State Attorney's Office, the Office of the Inspector General of the U.S. Department of Health and Human Services (HHS) and the FBI joined the investigation. Copies of records and videos were mailed to the Florida investigators using a federal express account set up by HHS. A Hialeah Police Department undercover investigator posed as office manager in training who would take over when the sale of the clinic was completed. Based on the paperwork the undercover processed during her training, the clinic submitted allegedly fraudulent billing of more than \$200,000 a month. On 12/20/06, the two business partners, their accountant and one other suspect in the fraud were arrested in New York. The office manager and 13 other suspects were arrested in Florida. Three search warrants were executed in New York and \$200,000 in cash and other evidence were seized. Asset forfeiture is also being considered in this case.

EIGHT CHARGED

- Interagency cooperation among members of the Frauds Bureau, the New York City Police Department, the Albany County DA's Office, the DMV and the New York Automobile Insurance Plan led to the arrest on 12/18/06 of eight downstate men who were charged with using upstate addresses to register a fleet of vehicles that were used solely in New York City. Seven of the eight resided in the five boroughs, the eighth suspect lived in Orange County. These defendants were able to reduce their auto insurance premiums by nearly \$1.5 million by fraudulently registering their vehicles in upstate counties where commercial auto rates are relatively low. If convicted, six of the men face up to seven years in state prison. The other two could serve up to 15 years behind bars because they were charged with more counts of fraud and offering a false instrument for filing.

BROKER FRAUD

- Following an investigation by the Frauds Bureau and the Nassau County DA's Office, three brokers were arrested for defrauding their clients out of hundreds of thousands of dollars. In August 2004, the insurance agent for a rubber manufacturing company sent broker #1 a

check for \$250,376 to cover the premiums on annuities for 13 participants in the company's pension plan. However, the investigation revealed that the broker had submitted premiums to cover only ten annuities, pocketing \$54,302. The broker never funded the remaining annuities nor did he repay the premiums he had stolen. In addition, he forged the agent's signature to 11 commission checks totaling more than \$13,000 and deposited them to his business account. He faces 15 years in prison if convicted. Broker #2 accepted a \$10,000 deposit for the purchase of commercial general liability insurance for a home improvement business and subsequent premium payments totaling \$27, 745. He issued Certificates of Insurance as proof that the coverage was in place. During the course of the investigation, evidence was uncovered that indicated that the broker had never forwarded the money to any insurer and no coverage existed. Most of the premiums were deposited to his business account and very shortly withdrawn. Insurance Department records showed that his broker license had expired and he had a history of complaints. He faces a maximum of seven years in prison. Broker #3 was charged with three counts of grand larceny in the 2nd degree. In three separate instances, he allegedly used premiums to fund the operating costs of his insurance brokerage business and to cover payroll and other business expenses. In the first instance alone, he collected \$263,513 in premiums and then issued bad checks to the insurer to cover the premiums payment. He faces a maximum of 15 years in prison if he is convicted on any of the grand larceny charges.

B. Staff Recognition Awards

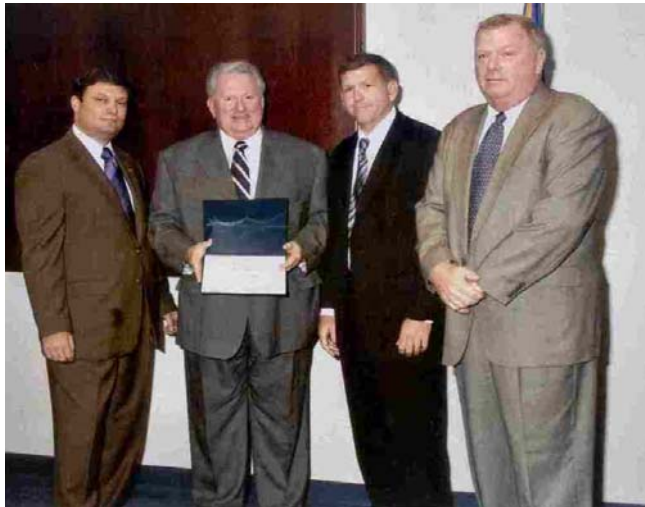


The New York Anti Car Theft and Fraud Association (NYACT) honored Insurance Frauds Bureau Director Charles Bardong with the Joe McDonald Award, the Association's highest tribute. The Award was presented to Director Bardong (pictured at left) at NYACT's Education Conference for Insurance Claims and SIU Personnel on November 15, 2006 at which he was the keynote speaker. In presenting the Award, Arthur V. Marchiselli, Chairman of NYACT, recognized Director Bardong's "many accomplishments over the years and his

outstanding record of achievements in Law Enforcement and the New York State Insurance Department."

Director Bardong presented the Director's Award to Kathleen McQueen, the Bureau's Assistant Director of Research on March 17, 2006. The Award was "in recognition of your invaluable contributions to the New York State Insurance Frauds Bureau in the fight against fraud. 2005 – The Year the Rates Came Down." Pictured here (from l.) are Director Bardong, Kathleen McQueen and Deputy Director DiMuro.





Senior Investigator Edward Miller received awards from both the FBI's Health Care Unit and the U.S. Attorney for the Eastern District for his role in the first staged accident case ever to be prosecuted under the Racket Influenced and Corrupt Organizations (RICO) Act in the United States. The investigation was conducted jointly with HIDTA (High Intensity Drug Trafficking Area) and the U.S. Postal Inspector's Office. Investigator Miller shows off his award flanked by two members of the FBI and Director Bardong (far right).

C. Mobile Command Center

The New York State Forum, a part of the Rockefeller Institute of Government, presented a 2005-2006 Best Practices Award to the Insurance Department for its acquisition and launch of a Mobile Command Center. The Award, presented at the Forum's annual meeting on September 8, 2006 in Albany, is given to a limited number of state and local agencies in recognition of their efforts to improve public-sector services through the use of effective information management. The Award is in the Technical category, honoring excellence in the implementation of information technology to meet governmental business goals.

The 36-foot Mobile Command Center (MCC) came into service in June 2006, equipped with the latest computer and electronic communications systems, including satellite and Internet telephones, as well as devices that give authorized Department personnel access to police radio systems in case of emergency. The MCC is an office on wheels, giving the Department the ability to continue operations should the existing communications infrastructure be severely damaged or temporarily disabled.



In addition, the MCC can bring Department services and professional expertise to the scene of natural disasters. For example, it was deployed to New York's southern tier in response to the extensive flooding in late June that drove thousands from their homes in 13 central New York and Hudson Valley counties. It was deployed again to the Buffalo area in early November in response to the Governor's declaration of an emergency in Erie, Genesee, Niagara and Orleans

Counties due to severe flooding following a major snow storm on October 12-13. As the MCC coordinator, Frauds Bureau Deputy Chief Investigator John Browne traveled to the Buffalo area in November to oversee the deployment and operations of the MCC.

D. Prosecutors as Partners

Under a program initiated in 2003, Frauds Bureau investigators are assigned to prosecutors' offices to work side-by-side with their investigative staff. During 2006, 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. Foreign Delegations

Over the years, the Insurance Department has played host to delegations from countries around the world and 2006 was no exception. The Frauds Bureau was invited to participate in several of the meetings during the past year. On the agenda was an overview of Frauds Bureau operations, how the Bureau works with the industry to detect fraud and with prosecutors to develop cases.



During June, the Bureau met with several members of the Consumer Protection for Estonian Financial Supervision Authority. Bureau staff also met in June with the Russian Association of Motor Insurers whose members were interested in how the Bureau deals with auto theft and auto insurance fraud. Case studies were presented followed by a lively question-and-answer period. In addition, the Bureau met with a delegation from Korea in July. Pictured are Director Bardong (center) and Deputy Director DiMuro (far right) with members of the Korean delegation.

V. Directions for 2007

A. Web-Based Case Management System

The Frauds Bureau's Web-based Case Management System was geared up for roll-out during the last quarter of 2006 and is now in the test phase. Assistant Chief Investigator Karen Silverstein, who, with other members of the Frauds and Systems Bureaus, has guided this

initiative since its inception, conducted a prototype demonstration of the system on 11/20/06 for members of insurance company Special Investigations Units, followed by a question-and-answer/discussion period. The input provided by the industry at the demonstration is proving helpful in working out kinks and making appropriate improvements during this test phase. Full implementation will take place during the first quarter of 2007. When fully implemented, the system will have an on-line Help Center and a Manual of Operations.

B. Audits of Insurer Special Investigations Units

For the past several years, members of the Frauds Bureau have accompanied the Health Bureau on financial examinations and the Property/Casualty Bureau on market conduct examinations. The purpose of this assignment is to evaluate insurer compliance with Department regulations and New York State Insurance Law. The Frauds Bureau will continue to assist other regulatory bureaus with examinations in the coming year. The Frauds Bureau will continue to conduct independent audits and assessments. We will also continue to provide guidance to Special Investigations Units.

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 by adding a description of a fraudulent no-fault insurance act and decreasing the monetary threshold for the commission of insurance fraud in various degrees;
- Requiring a periodic certification of continued eligibility by recipients of workers' compensation or disability benefits;
- Creating a class D 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 a felony;

- Requiring that life insurance policy applications include a positive identification of the insured;
- Increasing civil penalties for knowingly possessing, transferring or using fraudulent insurance documents;
- Creating a class E felony for possessing or uttering a false insurance document/instrument;
- 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.

VII. Appendices

IFBs Received by Year	2001	2002	2003	2004	2005	2006
Auto Theft	2,085	1,694	1,927	1,778	1,082	1360
Theft From Auto	88	101	76	79	67	90
Auto Vandalism	260	235	385	297	263	326
Auto Collision Damage	1,129	775	1,819	1,614	1,071	1287
Auto Fraudulent Bills	58	32	35	33	19	39
Auto Misc.	724	707	1,213	1,451	1,335	1,125
No-Fault Auto Insurance	<u>15,219</u>	<u>14,852</u>	<u>17,253</u>	<u>14,328</u>	<u>13,287</u>	<u>10117</u>
Org./No-Fault/Auto Unit Totals	19,563	18,396	22,708	19,580	17,124	14,344
Workers' Compensation	<u>1,733</u>	<u>1,086</u>	<u>1,121</u>	<u>1,027</u>	<u>1,118</u>	<u>1,034</u>
Workers' Comp Unit Totals	1,733	1,086	1,121	1,027	1,118	1,034
Disability Insurance	93	102	73	65	96	129
Health Accident Insurance	<u>1,572</u>	<u>1,518</u>	<u>1,791</u>	<u>2,236</u>	<u>2,183</u>	<u>1495</u>
Medical Unit Totals	1,665	1,620	1,864	2,301	2,279	1,624
Auto Fire	374	267	315	400	309	310
Fire - Residential	159	127	114	135	154	157
Fire - Commercial	<u>25</u>	<u>22</u>	<u>25</u>	<u>30</u>	<u>36</u>	<u>24</u>
Arson Unit Totals	558	416	454	565	499	491
Auto I. D. Cards	591	536	191	130	214	73
Burglary - Residential	444	392	422	378	333	228
Burglary - Commercial	98	93	80	78	108	72
Homeowners	307	288	432	450	651	705
Larceny	25	45	43	58	48	56
Lost Property	112	108	182	263	339	256
Robbery	19	28	21	22	16	20
Bonds	0	6	6	5	5	1
Life Insurance	79	100	63	61	251	130
Ocean Marine Insurance	19	15	25	27	30	18
Reinsurance	2	0	1	0	0	0
Appraisers/Adjusters	12	5	30	7	4	3
Agents	42	65	50	52	42	41
Brokers	47	60	65	157	71	29
Ins. Company Employees	8	10	3	4	3	3
Insurance Companies	0	4	20	13	9	29
Unclassified	<u>228</u>	<u>312</u>	<u>304</u>	<u>504</u>	<u>429</u>	<u>881</u>
General Unit Totals	2,033	2,067	1,938	2,209	2,553	2,545

Unassigned	476	993	1,620	1,597	2,372	2,846
IFBs Received	2001	2002	2003	2004	2005	2006
Org./No-Fault/Auto Unit Totals*	4,718	3,811	22,708	19,580	17,124	14344
Auto ID Card Unit Totals**	591	536	*	*	*	*
Workers' Comp Unit Totals	1,733	1,086	1,121	1,027	1,118	1,034
Medical Unit Totals	1,665	1,620	1,864	2,301	2,279	1624
No-Fault Auto Unit Totals***	15,219	14,852	***	***	***	***
Arson Unit Totals****	184	149	454	565	499	491
General Unit Totals	1,442	1,531	1,938	2,209	2,553	2,545
Unassigned	<u>476</u>	<u>993</u>	<u>1,620</u>	<u>1,597</u>	<u>2,372</u>	<u>2,846</u>
Grand Totals	26,028	24,578	29,705	27,279	25,945	22,884

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

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

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

**** Arson Unit created in August 2003. Data for prior years derived from statistical reports.

Cases Opened by Year	2001	2002	2003	2004	2005	2006
Auto Theft	51	71	92	79	86	124
Theft From Auto	8	14	3	3	3	4
Auto Vandalism	20	23	18	7	13	8
Auto Collision Damage	29	25	25	23	30	41
Auto Fraudulent Bills	7	7	3	3	3	1
Auto Misc.	13	25	21	12	11	29
No-Fault Auto Insurance	<u>62</u>	<u>113</u>	<u>88</u>	<u>73</u>	<u>122</u>	<u>142</u>
Org./No-Fault/Auto Totals	190	278	250	200	268	349
Workers' Compensation	<u>409</u>	<u>494</u>	<u>571</u>	<u>669</u>	<u>624</u>	<u>440</u>
Workers' Comp Unit Totals	409	494	571	669	624	440
Disability Insurance	14	15	13	12	12	21
Health Accident Insurance	<u>44</u>	<u>42</u>	<u>57</u>	<u>59</u>	<u>59</u>	<u>57</u>
Medical Unit Totals	58	57	70	71	71	78
Auto Fire	8	16	33	106	60	52
Fire - Residential	20	17	20	16	24	24
Fire - Commercial	<u>2</u>	<u>2</u>	<u>6</u>	<u>11</u>	<u>9</u>	<u>8</u>
Arson Unit Totals	30	35	59	133	93	84
Auto I. D. Cards	150	179	63	10	5	10
Burglary - Residential	10	14	16	7	7	8
Burglary - Commercial	2	12	2	4	6	6
Homeowners	22	36	28	18	20	24
Larceny	4	2	2	7	4	8
Lost Property	1	2	3	2	3	3
Robbery	0	1	2	1	0	1
Bonds	0	2	5	2	2	1
Life Insurance	7	22	9	8	4	7
Ocean Marine Insurance	4	3	3	2	3	4
Reinsurance	0	0	0	0	0	0
Appraisers/Adjusters	0	0	0	2	2	2
Agents	12	28	12	13	21	7
Brokers	10	7	8	9	9	12
Ins. Company Employees	3	5	2	2	2	1
Insurance Companies	0	1	7	1	1	1
Miscellaneous	<u>27</u>	<u>27</u>	<u>18</u>	<u>20</u>	<u>34</u>	<u>55</u>
General Unit Totals	252	341	180	108	123	150

Investigations	2001	2002	2003	2004	2005	2006
Workers' Comp Unit Totals	409	494	571	669	624	440
Medical Unit Totals	58	57	70	71	71	78
No-Fault Auto Unit Totals	190	278	250	200	268	349
Arson Unit Totals	30	35	59	133	93	84
General Unit Totals	<u>252</u>	<u>341</u>	<u>180</u>	<u>108</u>	<u>123</u>	<u>150</u>
Grand Totals	939	1,205	1,130	1,181	1,179	1,101

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

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 August 2003.

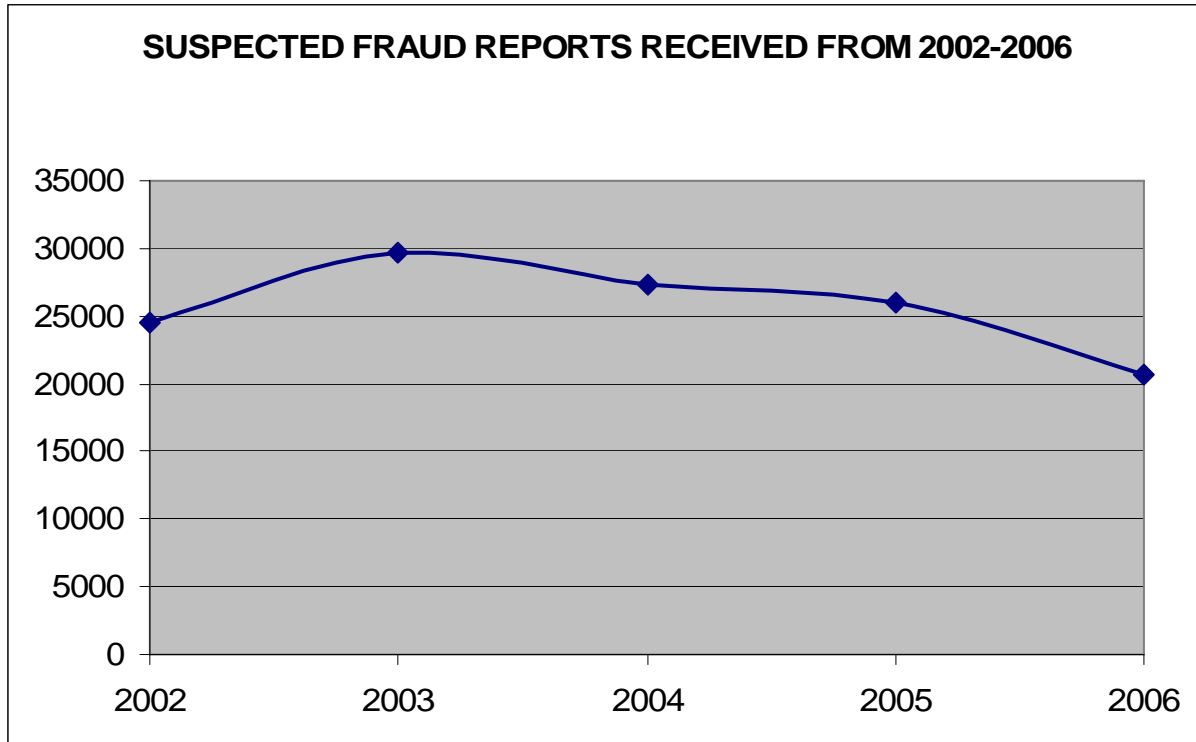
** Auto ID Unit and General Unit merged in August 2003.

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

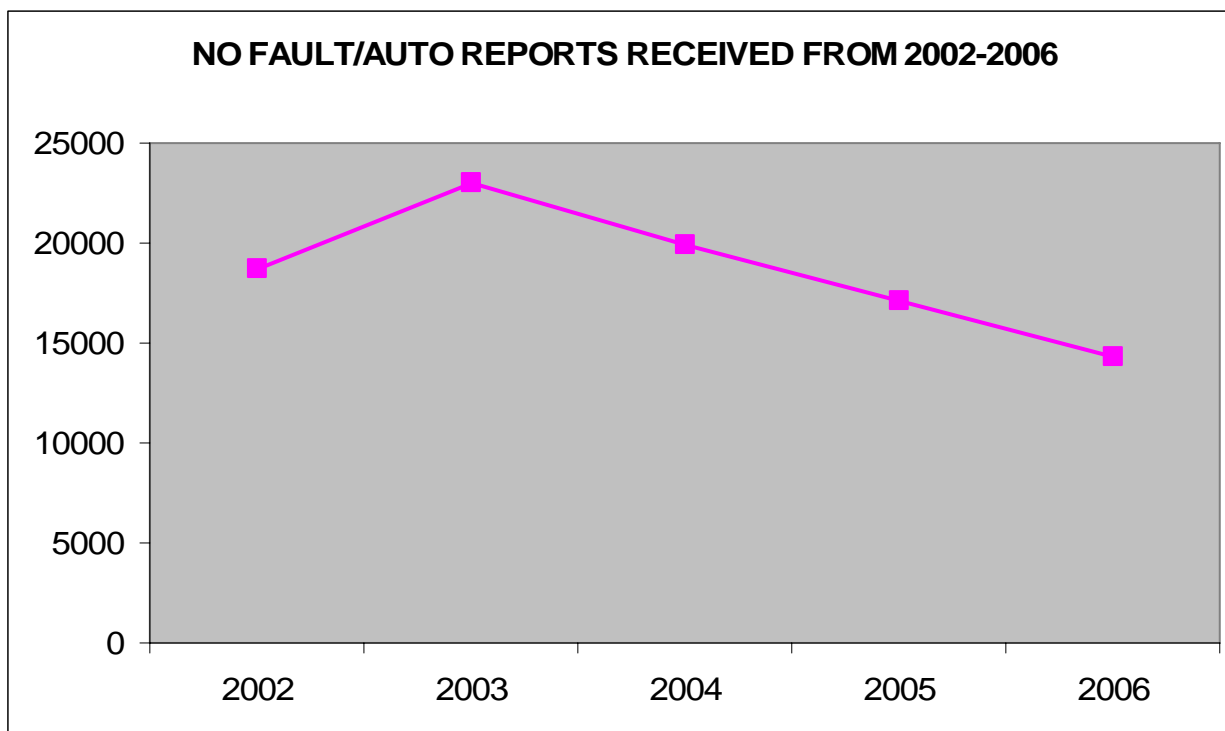
2006	IFBs	Cases	Arrests
No- Fault/Auto Unit Totals	14,344	349	334
Workers' Comp Unit Totals	1,034	440	142
Medical Unit Totals	1,624	78	26
General Unit Totals	491	150	81
Arson Unit Totals	2,545	<u>84</u>	21
Grand Total		1,101	604

POSITIVE TREND



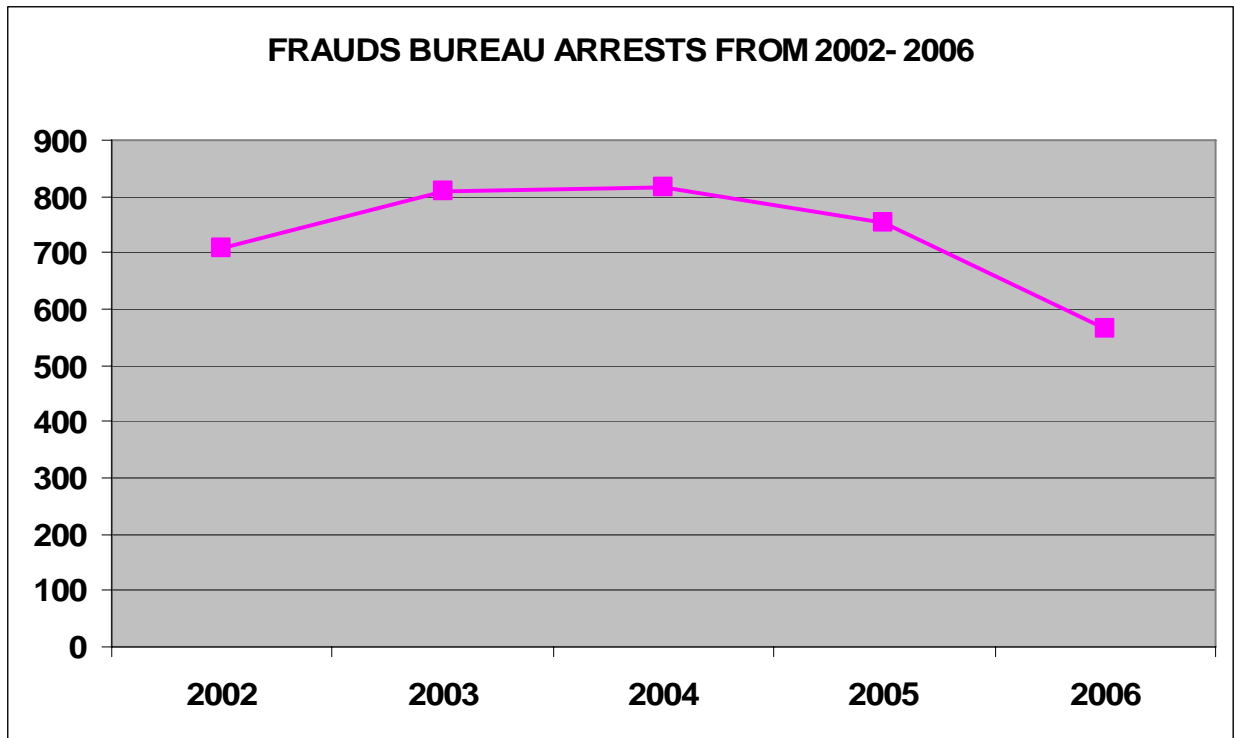
- The Frauds Bureau has asked the industry to report not only clear incidents of insurance fraud but even those incidents with just the suspicion of fraud. Yet in the past three years, we have seen a decrease in the number of fraud reports submitted by the industry, a trend directly related to the combined 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 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 2006, the Bureau received \$30,000 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 nearly \$1.9 million were imposed in 14 cases under Section 403 of the Insurance Law in 2006.

C. Forfeitures

The Insurance Department received \$106,948.50 in asset forfeiture funds as a result of an investigation conducted jointly by the Frauds Bureau, the Manhattan District Attorney's Office and the NYPD's Fraudulent Accident Investigation Squad.

**Insurance Frauds Bureau
Training Program
Insurers, Law Enforcement and Community Groups
2006**

Date	Group	Location	Number of Attendees
12/19/06	NYPD Police Academy (recruits)	New York, NY	715
12/18/06	NYPD Police Academy (recruits)	New York, NY	720
12/11/06	Rockland County Police Academy (In-Service)	Pomona, NY	4
12/08/06	American Progressive Insurance Company	Rye Brook, NY	9
12/08/06	Westchester County Police Academy	Valhalla, NY	40
12/07/06	American Progressive Insurance Company	Rye Brook, NY	17
11/29/06	Oneida County Arson Seminar	New York Mills, NY	75
11/27/06	Rockland County Police Academy (In-Service)	Pomona, NY	2
11/16/06	Insurance Department Health Bureau Examiner Trainees	New York, NY	40
11/13/06	Rockland County Police Academy (In-Service)	Pomona, NY	11
11/10/06	NYPD Auto Crime Division	Queens, NY	21
10/23/06	Rockland County Police Academy (In-Service)	Pomona, NY	14
10/10/06	NYS Arson Academy	Montour Falls, NY	25
10/09/06	Rockland County Police Academy (In-Service)	Pomona, NY	15
09/29/06	Rochester Police Dept. (Field Investigators)	Rochester, NY	25
09/25/06	Rochester Police Dept. (Field Investigators)	Rochester, NY	19
09/25/06	Rockland County Police Academy (In-Service)	Pomona, NY	14
09/22/06	Rochester Police Dept. (Field Investigators)	Rochester, NY	22
09/21/06	Rochester Police Dept. (Recruit Training Unit)	Rochester, NY	43
09/18/06	Rochester Police Dept. (Field Investigators)	Rochester, NY	20
09/12/06	FDNY Fire Marshals	Brooklyn, NY	16
06/28/06	Finger Lakes Insurance Council	Auburn, NY	104
06/23/06	NYPD Police Academy (recruits)	New York, NY	595
06/22/06	NYPD Police Academy (recruits)	New York, NY	580
06/21/06	New York Anti Car Theft and Fraud Assn.	Syracuse, NY	67
06/19/06	Rockland County Police Academy (In-Service)	Pomona, NY	13
06/14/06	Consumer Protection for Estonian Financial Supervision Authority	New York, NY	2
06/12/06	NYS Office of Fire Prevention and Control	Montour Falls, NY	30
06/02/06	Russian Association of Motor Insurers	New York, NY	8
06/05/06	Rockland County Police Academy (In-Service)	Pomona, NY	14
05/22/06	Rockland County Police Academy (In-Service)	Pomona, NY	12
05/19/06	New York Prosecutors' Training Institute	New York, NY	45
05/17/06	New York Compensation Managers, Inc.	Syracuse, NY	17
05/10/06	Internat'l. Assn. of Auto Theft Investigators	Saratoga, NY	32
05/09/06	Internat'l. Assn. of Auto Theft Investigators	Saratoga, NY	105

05/04/06	Capital District Insurance Community	Albany, NY	30
05/01/06	Rockland County Police Academy (In-Service)	Pomona, NY	14
04/17/06	Rockland County Police Academy (In-Service)	Pomona, NY	7
04/07/06	NYPD Auto Crime Division	Queens, NY	35
03/29/06	Great American Insurance Company	Windsor, CT	18
03/21/06	Preferred Mutual Insurance Company	New Berlin, NY	42
03/20/06	Rockland County Police Academy (In-Service)	Pomona, NY	11
03/20/06	NYS Office of Fire Prevention & Control	Montour Falls, NY	30
03/10/06	Rochester Police Department (recruits)	Rochester, NY	55
03/06/06	Rockland County Police Academy (In-Service)	Pomona, NY	8
03/01/06	New York Anti Car Theft and Fraud Assn.	Albany, NY	74
02/28/06	MedCare Administrators, LLC	Utica, NY	20
02/27/06	Rockland County Police Academy (In-Service)	Pomona, NY	17
02/06/06	Rockland County Police Academy (In-Service)	Pomona, NY	8
02/01/06	State Insurance Fund	Albany, NY	30
01/23/06	Rockland County Police Academy (In-Service)	Pomona, NY	19
TOTALS	GROUPS 51	PARTICIPANTS 3,909	

**Fraud Plans on File – as of
12/31/06**

ACE USA Group	Empire Health Choice Assurance, Inc.
Aetna	Empire
Admiral Indemnity	Encompass
AFLAC	Erie
AIG	Esurance
All America Financial	Eveready
Allianz	Excellus
Allstate	Farmers New Century
Allstate Life	Farm Family Casualty
Amalgamated Life	Fireman's Fund
AM Trust Financial - Rochdale	First Ameritas
Assurant	First Rehabilitation
American Medical and Life	First Reliance
AmericanChoice	First United American
American Modern Group	First Great-West Life Annuity
American Progressive	GEICO
American Transit	General Casualty - Blue Ridge
AMEX Assurance	GE Group Life Assurance
Amica Mutual	Genworth Life of New York
Arch	Gerber
Atlantic States (Donegal)	GHI
Atlantic Mutual	Global Liberty
Auto One	GMAC
Balboa Life of New York	Great American
Capital District Physicians Health Plan	Guard
Cincinnati	Guardian Life
Central Mutual	Harleysville
Chubb	Hartford Life
CIGNA	ITT-Hartford
Clarendon	Physicians Health Service
CNA	Hereford
Combined Life	HealthNow
Conseco Life of New York	Hudson Insurance Company
Countryway	HIP
Country-Wide	Horizon
Crum & Forster	Independent Health
CUNA Mutual	Infinity Property Casualty
Dairyland	ING Insurance
Delta Dental	Interboro Mutual Indemnity
Delta Dental of New York	Jefferson Pilot Life America
Dentcare	John Hancock
Eastern Vision Service Plan	Kemper
Electric Insurance	Lancer

Liberty Mutual
Wausau Liberty Mutual
Liberty Mutual Life Assur. of Boston
Liberty Mutual
Liberty Mutual Holdings
Life of Boston New York New
Massachusetts Casualty
Massachusetts Mutual
Mercury Insurance Group
Merchants Insurance
MetLife
Metropolitan P & C Insurance Group
Michigan Millers
Mutual of Omaha
MVP Health
National Benefit Travelers
Integon
National Grange Mutual
Nationwide Insurance Group
New York Automobile Insurance Plan
New York Central Mutual
New York Life
New York State Insurance Fund
Nippon Life
Northwestern Mutual
North Star Life
Nova
OneBeacon
Ohio Casualty
Oxford Health Plans
Praetorian Insurance Company
Preferred Mutual

Principal Life
Progressive Casualty
Prudential
PSM - Magna Carta
Paramount Insurance Company
Response
SBLI
Safeco
Selective of America
St Paul Travelers
Security Mutual Life of New York
Standard Life
Standard Security Life
State Farm
State-Wide
Sun Life
Tower
Transamerica
Tri-State Consumer
Trustmark
Union Fidelity
United Concordia
United HealthCare of New York
Union Labor Life (ULLICO)
Union Security Life Co. of N. Y.
Unitrin Direct Auto & Home
Univera
UNUM-Provident
USSA Group
Utica Mutual
Vytra
Wellpoint – Unicare
Zurich (U.S. Branch)

Insurance Frauds Bureau Staff – December 31, 2006

MANHATTAN OFFICE

Director

Deputy Director

Deputy Director/Counsel

1 Chief Investigator

1 Assistant Chief Investigator

6 Deputy Chief Investigators

5 Senior Investigators

4 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

1 Investigator

MINEOLA OFFICE

1 Deputy Chief Investigator

5 Senior Investigators

4 Investigators

ALBANY OFFICE

1 Senior Investigator

6 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

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