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

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

March 11, 2009

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 Bureau and an assessment of the insurance industry's anti-fraud efforts for 2008. The report illustrates how the Bureau's longstanding commitment to working closely with other law enforcement entities continues to pay dividends in the fight against insurance fraud.

I am also pleased to report that Frauds Bureau investigations led to a total of 755 arrests for insurance fraud and related crimes in 2008, the highest number recorded since 2004. Additionally, there were 402 criminal convictions obtained in 2008 by prosecutors handling referrals of Frauds Bureau cases.

Over the past year, the Bureau created and expanded a number of new programs and initiatives in an effort to carry out its anti-fraud mission. The Major Case Unit was established in January 2008 to handle complex fraud cases. The work of this new unit led to 126 arrests last year. Additionally, the Bureau's Special Prosecutor Program now covers ten upstate counties. Under that program, Frauds Bureau attorneys assist local prosecutors' offices with insurance fraud cases initiated by the Bureau, as well as by other law enforcement entities.

In addition to continuing its focus on systemic and complex insurance fraud schemes, the Bureau will concentrate on the areas of insurance fraud traditionally associated with downturns in the economy, including fraudulent property claims. We look forward to meeting the challenges that lie ahead and welcome the opportunity to continue to serve the people of New York State.

Sincerely,

Eric R. Dinallo
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



## Graphs

# *I. Insurance Frauds Bureau*
# *2008 Highlights*

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

- **The number of criminal convictions obtained by prosecutors in Frauds Bureau cases totaled 402 during 2008.**

- **The Bureau's Major Case Unit handled complex cases involving no-fault, commercial rate evasion, health care fraud and workers' compensation premium fraud. The Unit effected 126 arrests in 2008.**

- **New York State received more than $9 million in refunds and $78,551 in fines from five health care providers who inappropriately billed United HealthCare, administrator of the Empire Plan.**

- **Arrests for auto give-ups spiked by 35% over the past year, up from 96 in 2007 to 130 in 2008. Fraud experts believe that high lease payments and the downturn in the economy may be factors.**

- **No-fault fraud referrals increased by 10% from 2007 to 2008. At the same time, the Bureau posted 154 no-fault arrests, a 52% year-to-year increase.**

- **A 19-month investigation led to the indictment of 62 individuals accused of staging more than 40 auto accidents over a three-year period. The investigation was conducted by the Frauds Bureau and other members of the FBI New York Health Care Fraud Task Force.**

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## *II. The Insurance Frauds Bureau*

### A. Team Building

The Frauds Bureau has been a longtime advocate of team building. Toward that end, collaborative alliances with the insurance industry and law enforcement agencies on the federal, state and local levels during the past year resulted in successful investigations and yielded 755 arrests and 402 convictions throughout the State.

### B. Multi-Agency Investigations

The Western New York Health Care Fraud Task Force, whose members include the Frauds Bureau, the FBI, the U.S. Departments of Health and Human Services, Labor and Defense, the IRS, the Federal Drug Administration, the U.S. Attorney's Office and the Medicaid Fraud Control Unit, conducted a joint investigation that resulted in a licensed clinical social worker from Tonawanda pleading guilty to felony health care fraud in February.

A 16-month investigation ended with charges being brought against 61 suspects and the seizure of 70 vehicles worth $1.7 million. Vehicle owners paid a middleman to make their cars disappear in order to collect an insurance payout. Investigators from the Frauds Bureau, the NYPD's Auto Crime Division and the Queens DA's Office pooled resources in this long-term undercover operation.

These cases and many others in which the Frauds Bureau collaborated with insurers and law enforcement are summarized in **Section *IV.* A.**

The Bureau also worked closely with the NYPD's Fraudulent Accident Investigation Squad on many no-fault and other auto-related fraud investigations, and with the Workers' Compensation Board's Office of the Inspector General and the State Insurance Fund on cases involving workers' compensation fraud.

In addition, the Arson Unit worked closely with FDNY's Bureau of Fire Investigations, the NYPD's Arson Explosion Squad and the Bureau of Alcohol, Tobacco, Firearms and Explosives. The Frauds Bureau 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 throughout the State.

Moreover, DAs' Offices, the New York State Attorney General's Office, the New York State DMV, the U.S. Postal Inspection Service, the FBI New York Health Care Fraud Task Force, as well as local police departments and sheriff's offices across the State are partners in many Frauds Bureau investigations of all types of insurance fraud.

### C. 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 involved in fighting insurance fraud. Participation provides the opportunity for joint investigations, information sharing, networking

and honing investigative skills. Among the groups in which Bureau staff participated during 2008 are the following:

- Western New York Health Care Task Force
- Capital District Auto Crime Task Force
- Central New York Health Care Fraud Working Group
- Monroe County Auto Crime Task Force
- Capital District Health Care Working Group
- FBI New York Health Care Fraud Task Force
- NICB Medical Working Group
- FBI/U.S. Attorney Health Care Fraud Working Group
- Motor Vehicle Theft and Insurance Fraud Prevention Board (DCJS)
- High Intensity Drug Trafficking Area (HIDTA)
- High Intensity Financial Crimes Area (HIFCA)

## *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 New York City, with six additional offices across the State: Mineola, Albany, Syracuse, Oneonta, Rochester and Buffalo. A full list of office locations, including addresses and telephone/fax numbers, appears in the Appendices to the Report.

### B. The Staff

The Director of the Bureau is responsible for all of the Bureau's operations. The Deputy Director reports to the Director. In addition, the Bureau's Assistant Director of Research reports to the Director and the Deputy Director.

Bureau staff consists of 21 Senior Investigators and 19 Investigators who staff the Bureau's eight specialized units: Major Case, Arson, General, Auto, Workers' Compensation, No-Fault, Medical 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.

A Counsel and an Assistant Counsel are responsible for all legal matters as they relate to fraud investigations. In addition, the Bureau has a Manager of Technical Services, who coordinates the activities of the Department's Mobile Command Center.

The Bureau's Training Office provides in-service training to Frauds Bureau staff and conducts training sessions for law enforcement agencies and industry and community groups.

The Training Officer reports to the Chief Investigator. (See **Section *III*. F** for further information about Frauds Bureau training.)

In addition, the Bureau has a unit that includes a Senior Insurance Examiner and an Insurance Examiner who report to a Principal Examiner. The examiner staff are responsible for insurer compliance with Article 4 of the New York Insurance Law and Department Regulation 95. The examiners also conduct targeted examinations of insurer SIUs.

The Bureau also has two support staff members who report to the Secretary to the Director.

## C. Investigations

The Frauds Bureau received 23,054 reports of suspected fraud in 2008, a slight increase over the 22,079 reports received the year before. Of the 2008 total, 22,235 were received from licensees required to submit such reports to the Department, and 817 were received from other sources, such as consumers and anonymous tips. A total of 1,367 new cases were opened for investigation during the past year. Investigations also continued in numerous cases opened in prior years. 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

Investigations by the Frauds Bureau resulted in 755 arrests for insurance fraud and related crimes during the past year, up from 708 in 2007, and the highest number of arrests recorded since 2004. One investigation led to the arrest on 3/11/08 of 11 persons, including three doctors, a chiropractor, two acupuncturists, other employees of a medical clinic, and ten corporations accused of operating a medical mill that cheated insurers of more than $6.2 million over a five-year period. The enterprise used “runners” to stage accidents and bring “patients” to the clinic where medical providers prescribed unnecessary treatments and procedures, falsified medical records and submitted fraudulent claims to insurers.

In another case, a defendant was arrested in December 2008 based on evidence that indicated he had assumed the identity of another person about 20 years ago. Then, in 1990, using the stolen identity, he purchased disability income insurance. In 1996, he filed a claim under his policy coverage and from March 1999 through April 2007, he collected a total of $141,620 in benefit checks issued to the person whose identity he had assumed.

## E. Civil Enforcement and Restitution

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 levy civil penalties of up to $5,000 plus the amount of the claim on individuals who commit fraudulent insurance acts. Under the provisions of Section 2133 of the Insurance Law, the Department is also permitted to levy a civil 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.

As a result of civil enforcement activities, $1.68 million in penalties was imposed in 2008.

The courts ordered $2.9 million in restitution during the past year as a result of Frauds Bureau criminal investigations. Additionally, insurers saw savings of nearly $1.2 million in connection with fraudulent claims investigated by the Bureau.

## F. Training

Newly hired investigators participated in an Entry-Level Training Program. In addition, investigators also took part in the Bureau's In-Service Training Program designed for all investigative staff. Both programs – developed and administered by the 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.

Frauds Bureau Training Officer John Marcone and Senior Investigator Mark Sirkin are Certified Firearms Instructors and provide both upstate and downstate investigators with appropriate instruction in firearms safety and proficiency. In this photo taken at the Nassau County Rifle and Pistol Range in October, Investigator Sirkin demonstrates the technique of firearm sight alignment to Director Frank Orlando. While certification in firearms aptitude 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.

Five training sessions were conducted at the New York City Police Academy during 2008, which were attended by 1,635 recruits. In addition, two groups totaling 86 recruits were given training at the Westchester County Police Academy. 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.

In all, the Bureau provided training for 31 groups that included 2,396 participants. A complete list of the groups for which Frauds Bureau investigators provided training during 2008 appears in the Appendices to this Report.

## G. 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 in order to stay current with emerging developments in fraud investigation.

During 2008, Bureau staff participated in many of the educational opportunities offered by the New York Anti Car Theft and Fraud Association, the FBI, the Division of Criminal Justice Services and the High Intensity Financial Crimes Area, among others. Moreover, the Insurance Department offers courses in sexual harassment prevention, appreciating cultural diversity and an annual course in defensive driving that is available to all Department staff but is required every three years for the investigative staff.

## H. Fraud Prevention Plans/Public Awareness Programs

Section 409(a) of the New York Insurance Law and Department Regulation 95 require all insurers that meet the criteria delineated in the Law to submit to the Department a Fraud Prevention Plan (Plan) that includes providing for a Special Investigations Unit (SIU). The SIU is responsible for investigating cases of suspected fraud and for implementation of fraud prevention and reduction activities.

Affiliated insurers writing the same lines of business may submit one Fraud Prevention Plan covering the entire group of insurers. Additionally, some insurance carriers submit multiple separate Plans, each of which addresses different lines of business. At year-end 2008, there were 140 Plans on file. A complete list of insurers' or groups' Plans on file as of 12/31/08 appears in the Appendices to this Report.

Regulation 95 and Section 409(c)(5) of the New York Insurance Law require that Fraud Prevention Plans develop a public awareness program focused on the cost and frequency of insurance fraud and the methods by which the public can assist in its prevention. 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 90 insurers or groups of affiliated insurers, carries out advertising campaigns using newspapers, radio and television to target insurance consumers. Additionally, 20 health plans or groups of affiliated health plans are members of the National Health Care Anti-Fraud Association, which carries out advertising campaigns using newspapers and radio advertising. Moreover, several individual insurers 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 also has a frauds hotline (1-888-FRAUDNY) and consumers are encouraged to report suspected insurance fraud. Calls to the hotline averaged 37 a week in 2008.

## I. Electronic Filing of SIU Annual Reports

According to Section 409(g) of the New York Insurance Law, those insurers with Fraud Prevention Plans on file must also file an Annual Report, describing the SIU's experience, performance and cost effectiveness in implementing the Plan. Legislation passed in 2008 changed the reporting date of the Report from January 15 to March 15 of each year.

Beginning in 2008, insurers are required to submit the SIU Report electronically through a secured portal environment accessed from the Department's Web site. Hard copy submissions of the Report are no longer accepted.

## *IV. The Year in Review*

### A. Major Cases

The Frauds Bureau was involved in a number of multi-agency investigations during 2008. 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**

**STING OPERATION**

- A 16-month undercover investigation, dubbed "Operation Disappearing Act," ended with charges brought 1/16/09 against 61 suspects in at least four states – New York, New Jersey, Maryland and Pennsylvania – and the seizure of 70 vehicles worth $1.7 million. Among the 61 suspects charged were a New York City police officer, a director of security at a city hospital and an employee of the U.S. Department of Homeland Security. Owners paid a middleman to take their cars to a garage in Queens where they purportedly were stripped for parts. Neither the car owners nor the middlemen were aware that the garage was run by NYPD detectives working undercover. The middlemen returned the keys to the owners who then reported their cars stolen and filed fraudulent claims for the insurance payout. Seven additional suspects were subsequently arrested in this case and 15 additional vehicles were recovered. The investigation was conducted jointly by the Frauds Bureau, the NYPD's Auto Crime Division and the Queens DA's Office.

**February**

**SERVICES NOT PROVIDED**

- A licensed clinical social worker, Rhonn Gilchrist of Tonawanda, NY, was arrested on 2/20/08 and pleaded guilty to felony health care fraud for billing several insurers for more than $500,000 for services he never provided. In July 2008, he was sentenced to serve one year in federal prison and ordered to pay restitution of $100,000. In addition, he was fined $90,000 and agreed to forfeit a Florida home valued at $400,000. The case was investigated by the Western New York Health Care Fraud Task Force, of which the Frauds Bureau is a member.

**MISCLASSIFIED**

- An investigation by the Frauds Bureau and the Ulster County Sheriff's Department led to the arrest on 2/12/09 of a junkyard dealer for allegedly insuring and registering cars for illegal immigrants. The investigation began when the Sheriff's Department noticed an unusually high number of traffic stops and accidents involving cars registered to the defendant's junkyard. Over a four-year period, the defendant submitted insurance applications that listed the vehicles to his commercial business, when in fact the vehicles were for the personal use of those unlicensed drivers. The defendant allegedly insured and registered about 40 cars through American Transit Insurance Company at a premium loss to the insurer of nearly $523,000.

**COLLECTING BENEFITS BEHIND BARS**

- After sustaining an injury on the job on 2/11/06, the defendant in this case began collecting workers' compensation benefits. On a number of occasions, he submitted employment status reports to the Workers' Compensation Board on which he answered "no" when asked if he had been convicted of a crime and was serving a prison sentence. However, an investigation by the Frauds Bureau and the New York State Workers' Compensation Board's Office of the Fraud Inspector General uncovered evidence that he had pleaded guilty to an unrelated crime on 7/13/07 and was sentenced to one year in jail. As a result of his misrepresentations on the employment status reports, he received $7,760 in benefits while serving time in the Oneida County Correctional Facility. He was arrested on 2/4/08 for insurance fraud, offering a false instrument for filing and violation of the Workers' Compensation Law.

**March**

**STATE WORKER CAUGHT**

- A former project manager for the New York State Comptroller's Office was charged with filing a fraudulent insurance claim with New York Central Mutual Insurance Company. The defendant reported to the insurer that a fur coat valued at $3,500 was stolen from her car. The insurer became suspicious because the claim was one of a series of claims the defendant had filed over the course of a year. Investigators subsequently discovered the coat at her home and she confessed to the fraud. The Frauds Bureau, with the assistance of the Albany Police Department, conducted the investigation that led to her arrest on 3/25/08.

**MEDICAL MILL TAKE-DOWN**

- Eleven persons, including three doctors, a chiropractor and two acupuncturists, and ten corporations were charged in an 84-count indictment with operating a medical mill that cheated insurers of more than $6.2 million over a five-year period. Two other suspects who allegedly assisted in the criminal affairs of the enterprise were charged in separate indictments. The enterprise used "runners" to stage accidents and bring "patients" to the clinic where medical providers prescribed unnecessary treatments and procedures, falsified medical records and submitted fraudulent claims to insurers. Four management and realty companies and six professional corporations were used to conceal parts of the operation and to launder the proceeds. The Frauds Bureau, the Manhattan DA's Office, NYPD's Fraudulent Accident Investigation Squad, GEICO and MetLife Insurance Companies and the National Insurance Crime Bureau pooled resources in the investigation that led to the take-down. The DA's Office also initiated a civil forfeiture action against the 11 individuals and ten corporations to recover the more than $6.2 million stolen from insurers while the medical mill was in operation.

**April**

**DRINKING, DRIVING AND INSURANCE FRAUD**

- The suspect in a no-fault case pleaded guilty to falsifying business records and driving while alcohol impaired on 4/18/08 and was fined $700. An investigation by the Frauds Bureau and the State Police in Liberty, NY, led to her arrest in December 2007 for altering a medical report stemming from an auto accident in which she was involved. Following the accident,

she was taken to a local hospital and treated. However, investigators discovered that the medical report stated that she had been drinking at the time of the accident. She used white-out to cover all references to alcohol in the report and submitted it in support of a claim she filed with New York Central Mutual Insurance Company in an effort to have medical bills paid under her no-fault coverage. Savings to the insurer totaled $45,000.

**STOLEN BENEFITS**

- On 4/10/08, a Rochester woman voluntarily gave an oral confession at the State Police Barracks. She stated that from November 2006 through July 2007 she cashed workers' compensation checks issued to her mother by Utica Mutual Insurance Company, using a rubber stamp of the signature to endorse the checks. An investigation by the Frauds Bureau revealed that the suspect's mother had passed away in October 2006. The suspect thus collected $3,427 in benefits to which she was not entitled.

**May**

**ARRANGED CAR FIRE**

- The defendant in this case reported to AIG Insurance Company that his 2007 BMW was stolen. He claimed that he had gone to Florida on 1/30/08 and when he returned home to Staten Island on the evening of 2/3/08, he did not notice whether his car was in its parking space across from his home. At about 6 a.m. the next morning, he discovered the car missing. However, AIG's Special Investigations Unit reported to the Frauds Bureau that the car had been recovered on fire on Eastern Long Island early in the morning of 2/2/08, and the Suffolk County Arson Squad had deemed the fire incendiary. The Frauds Bureau and NYPD's Organized Crime Control Bureau conducted an investigation into the loss. During an interview, the defendant admitted that he had arranged to have his car destroyed by fire in order to collect on an insurance claim. He was arrested on 5/15/08.

**CAUSED ACCIDENTS**

- A Brooklyn laborer was charged with conspiring with others to intentionally cause two auto accidents. The first, which occurred on 1/28/04, caused Statewide Insurance Company to be fraudulently billed $23,000 in no-fault medical benefits and Liberty Mutual Insurance Company to be fraudulently billed in the amount of $35,000 in no-fault benefits. Following the second accident, which took place on 10/13/07, GEICO Insurance Company was fraudulently billed $4,000 in no-fault benefits. The Frauds Bureau and the NYPD conducted the investigation that led to his arrest on 5/28/08.

**June**

**FRAUDULENT DOCUMENTS**

- The defendant in this case filed a claim with Harleysville Insurance Company for water damage to his business, a funeral home. He also submitted documentation for loss-of-business expenses. Based on a report of suspected fraud from the insurer, the Frauds Bureau initiated an investigation that revealed that the documents for loss-of-business expenses were fraudulent. He was charged on 6/3/08 with insurance fraud and falsifying business records in connection with his unsuccessful attempt to collect a $6,000 insurance payment.

**TEACHER CAUGHT**

- A Utica woman was arrested on June 12 on charges that she fraudulently collected $52,983 in workers' compensation benefits while employed as an elementary school reading teacher for the Utica City School District. An investigation by the Frauds Bureau and the State Insurance Fund revealed that she claimed she was unable to work because of an allergic reaction she suffered while employed as a teacher at an upstate correctional facility in 1997. From October 2004 to December 2007, she accepted benefits to which she was not entitled.

**STOLEN PREMIUMS**

- An investigation by the Frauds Bureau, the Cobleskill Police Department and the Schoharie County DA's Office led to the arrest on 6/17/08 of a hardware store owner who collected premiums from an employee that were supposed to provide health care coverage for the employee and his family. However, investigators learned that the store owner never applied the payments to the employee's health insurance plan. A family member, unaware that he was without coverage, incurred $11,000 in medical bills before the fraud was discovered. The suspect was charged with grand larceny and scheme to defraud.

**July**

**ALTERED DATES**

- In June 2007, the defendant in this case allegedly forged a Certificate of Insurance for her husband's business. She was accused of altering the dates to falsely indicate that the business had the required commercial general liability insurance when in fact no such coverage existed. In the course of the investigation conducted by the Frauds Bureau, the defendant confessed that she forged the Certificate in order to hide from her husband the fact that they were having financial difficulties. The investigation led to her arrest on 7/30/08.

**CLAIMS REP ARRESTED**

- An investigation by the Frauds Bureau and Nationwide Insurance Company resulted in the 7/17/08 arrest of a former claims representative for the insurer. Investigators found that during the period from 2000 to 2006, he submitted numerous fraudulent requests for claim settlement payments using fictitious names which he inserted into legitimate claim histories. Checks totaling $296,000 were made out to these fictitious names, which closely resembled his own. He cashed the checks and deposited the money into his personal account.

**NOT DISABLED**

- Following an investigation by the Frauds Bureau and the Niagara County DA's Office, an upstate man was arrested on 7/9/08 on charges that from 8/13/03 to 6/28/07, he illegally collected $54,500 in disability from Hartford Insurance Company. He submitted an application to Hartford for long-term disability benefits, together with other supporting documents, in which he stated that he was unable to work. However, the investigation revealed that during the benefit period, he had been employed at a number of jobs, including work at a hospital and a gambling casino.

**August**

**BOUNCED**

- An investigation by the Frauds Bureau and the Tompkins County Sheriff's Department led to the arrest of a bar owner after authorities discovered she employed five workers off the books, including a bouncer injured when he tried to escort a patron out of the bar. The investigation revealed that the suspect filed fraudulent workers' compensation payroll reports with the State Insurance Fund, stating that the bar had no employees other than herself as owner. This fraudulent statement significantly reduced her workers' compensation premiums. However, on 4/14/08, she filed an injury report with the Fund stating that a newly hired employee – the bouncer – had been injured his first day on the job. The bouncer had actually been employed at the bar for two years.

**COOKING THE BOOKS**

- Evidence gathered during an investigation by the Frauds Bureau indicated that on 10/31/07, the defendant in this case altered several Certificates of Insurance as proof that workers' compensation was in place for her husband's trucking business. She subsequently admitted to investigators that she was unable to make the insurance payments and had altered the certificates so that her husband could continue to work. She also stated that she handled all the books for the business and her husband was unaware that she had submitted forged certificates. She was arrested on 8/8/08.

**PROPERTY NOT REPLACED**

- A joint investigation conducted by the Frauds Bureau and the Delaware County Sheriff's Office led to the 8/12/08 arrest of a couple whose home was destroyed in a March 2007 fire. They were charged with submitting forged receipts in an unsuccessful attempt to collect an additional $30,400 as part of their insurance settlement. Investigators discovered that the suspects filed a claim with Broome Cooperative Insurance Company for contents damaged or destroyed in the fire and were paid $37,000. They sought the additional $30,400 for items that were allegedly purchased to replace other property lost in the fire. However, evidence indicates that these replacement items were never purchased.

**September**

**NOT A GREAT HIDING PLACE**

- An investigation by the Frauds Bureau led to the arrest on 9/12/08 of a police officer employed by the MTA on charges of filing a fraudulent $28,375 insurance claim for a diamond ring that he reported missing. The suspect, who is a lieutenant commander in the U.S. Naval Reserve, purchased the diamond for approximately $15,000 in July 2006 under a promotional program sponsored by USAA, an insurer that serves current and former military personnel. He reported that he had the stone set in an 18-karat gold setting valued at $2,200. In December 2006, he insured the ring through USAA for $28,375. The defendant reported the ring missing in 2007 and filed a claim stating that he lost the ring while taking it to a jeweler to be cleaned. Investigators later tracked the suspect's fiancée – who was not implicated in the case – and photographed the ring on her finger.

**FROM THE BRONX TO QUEENS**

- A Bronx man who reported his 2003 Cadillac Escalade SUV stolen was arrested on 9/18/08 after investigators found a surveillance video contradicting his claim. An investigation by the Frauds Bureau revealed that the suspect told police that his car, valued at $25,000, had been stolen from a local street in the Bronx where he had left it parked on 5/21/08. He subsequently filed a claim with GEICO Insurance Company for the loss. However, the SUV was discovered on fire in Queens the day after the suspect reported it stolen. Investigators found no evidence of forced entry into the car. But they located a surveillance tape of the location where the suspect allegedly left it parked; the tape showed no sign of the suspect's SUV.

**DOC SAYS NO**

- Following an on-the-job injury sustained while she was working in a hospital during 2006, the defendant in this case began collecting workers' compensation benefits from the State Insurance Fund. However, surveillance showed that she was working at a doctor's office in the Bronx. During an investigation by the Frauds Bureau and the Workers' Compensation Board's Office of the Fraud Inspector General, investigators obtained tax records that corroborated this information. In addition, medical reports the defendant submitted to the Fund contained statements by the doctor that the defendant did not work in his office. The investigation led to her arrest on 9/23/08.

**RATE EVASION**

- A federal grand jury in Buffalo returned a 46-count indictment charging two downstate residents with mail fraud in a "rate evasion" scheme to defraud AIG and Progressive Insurance Companies. Evidence gathered in this case indicated that the defendants counseled and assisted several New York City-area residents in obtaining lower-cost auto insurance by fraudulently claiming to live in Western New York. Auto insurance premiums are significantly lower in Western New York than in the downstate area. The indictment also alleged that the defendants provided the New York City residents with UPS Store addresses in Western New York that they fraudulently claimed were their residences. As a result, AIG and Progressive sold insurance policies at Western New York rates, rather than the truly applicable New York City rates. The scheme resulted in $729,000 in lost premiums.

**October**

**HERE COMES THE JUDGE**

- A Staten Island woman reported that her 2006 Nissan Altima was stolen from a location near her home. She stated that she had last seen the car at about 7:00 p.m. on 6/11/08. However, the car had been recovered by the East Greenwich, Rhode Island, Police Department prior to the suspect's theft report. The vehicle was found parked in the vicinity of a judge's home where its out-of-state license plates drew suspicion. The Frauds Bureau worked with the East Greenwich Police Department on the investigation that led to her arrest on 10/7/08.

**KEEP THE DATES STRAIGHT**

- An investigation by the Frauds Bureau and NYPD's Auto Larceny Unit led to the arrest on 10/25/08 of a Bronx woman accused of defrauding GEICO Insurance Company of $7,874.

She reported to the NYPD and to the insurer that her car had been involved in an accident on 11/28/05. She subsequently filed a claim and was reimbursed for the cost of repair. However, investigators learned that the accident actually occurred on 11/23/05 but her insurance policy had been cancelled on 11/17/05. She renewed the coverage on 11/26/05 and submitted a receipt for towing on which she had altered the date. Further investigation found that her car had been towed on 11/23, not 11/28 as indicated on the forged receipt.

**OPERATION DIRECT HIT**

- A 19-month investigation led to the 10/29/08 indictment of 62 individuals charged with staging more than 40 auto accidents over a three-year period. The ring targeted unsuspecting drivers who, while backing out of a driveway or a parking lot, would be deliberately hit by a car full of passengers, all of whom were participants in the fraud. Occupants of the cars involved were then sent to the same Upper Manhattan medical clinic whose operators were knowing participants in the scheme. In fact, these operators allegedly paid "runners" up to $2,500 for each person referred to the clinic. The "patients" were also paid. The scheme defrauded insurers of $1.6 million. The investigation was conducted jointly by the Frauds Bureau, the Queens DA's Office, the FBI, and the NYPD's Fraudulent Accident Investigation Squad, with the assistance of the National Insurance Crime Bureau and several insurance companies.

**November**

**CHIROPRACTOR GUILTY**

- On 11/14/08, a Nassau County chiropractor was arrested and pleaded guilty to health care fraud. During 2002 and 2003, he instructed his staff to submit claims to various no-fault and workers' compensation insurers for treatments that were not provided. The fraudulent claims totaled approximately $23,000. An investigation by the Frauds Bureau, the FBI and the Office of the U.S. Attorney for the Eastern District resulted in his arrest.

**FOUR YEARS LATER**

- An investigation by the Frauds Bureau, the Workers' Compensation Board's Office of the Fraud Inspector General and the Suffolk County DA's Office led to the 11/20/08 arrest of a chiropractor who allegedly continued to submit claims for treating a patient four years after the treatments ended. According to investigators, the suspect provided chiropractic treatments to the patient for ten years until 2004. However, he was charged with filing 96 fraudulent claims totaling $3,201 with CNA Insurance Company from 2004 until May 2008 for services that were never rendered. The fraudulent claims were discovered when the insurer contacted the former patient to verify whether she was still being treated.

**RUG ADJUSTMENT**

- A 46-year-old man who claimed he was injured when he tripped and fell over a rug at the entrance to a Jamestown, NY, food market was charged with insurance fraud on 11/26/08 after a surveillance camera revealed that he staged the accident. The suspect claimed he was injured in a fall on 7/24/08. He was taken to a local hospital by ambulance and treated for a purported back injury. However, an investigation by the Frauds Bureau turned up the surveillance tape showing that the suspect simply lay down on the floor after adjusting the

rug to make it appear he had tripped. He subsequently submitted a claim to the market's insurer, Travelers Insurance Company, but later withdrew it after being informed of the video. He was charged with attempted petit larceny for submitting an $860 bill to the market for payment of the ambulance service.

**December**

**ADJUSTER KICKBACKS**

- Five insurance adjusters and four contractors were arrested on 12/2/08 for their participation in a kickback scheme involving inflated insurance claims on properties in Manhattan, Brooklyn and Staten Island. Four of the adjusters admitted accepting cash payments, as well as gifts and other gratuities, from the contractors in return for approving inflated repair estimates submitted by the contractors. Investigators said the contractors inflated the cost of repairs, kept a portion of the proceeds and gave part to the adjusters. In some cases, adjusters accepted such gifts as golf outings, golf equipment or dinners. The adjusters would then approve the inflated estimates as reasonable and pass them for payment to Chubb & Son, a division of Federal Insurance Company. Three of the adjusters who were employed by Chubb pleaded guilty to felony criminal bribe receiving and insurance fraud and were each sentenced to five years' probation, in addition to the following forfeitures: Stephen Curtis, $70,000; James Cassino, $60,000; and John Occhiogrosso, $13,000. A fourth adjuster, Joseph Fonte, is a public adjuster with no affiliation to Chubb. He was given a one-year conditional discharge and ordered to make a $5,000 forfeiture after pleading guilty to two counts of commercial bribery. The fifth adjuster, John Brady, also employed by Chubb, pleaded guilty to commercial bribe receiving and was sentenced on 1/13/09 to five years probation and fined $1,500. The kickbacks – which totaled an estimated $1 million – involved claims on about ten properties.

**IDENTITY THEFT**

- An investigation by the Frauds Bureau uncovered evidence that the defendant assumed the identity of another person about 20 years ago. Then, in 1990, using the stolen identity, he purchased disability income insurance from UNUM Provident Insurance Company. In 1999, he filed a claim under his policy coverage and from March 1999 through April 2007, he collected $1,460 a month, a total of $141,620, in benefits checks issued to the person whose identity he had assumed. That person presently resides in a Connecticut nursing home. The investigation further revealed that the defendant had two felony convictions prior to 1980. However, on his application for the disability income benefits, he answered "no" when asked if he had ever been arrested or convicted of a crime. The policy would not have been issued if UNUM had been aware of his criminal record. He was arrested on 12/9/08 and charged with identity theft in the 1st degree.

**LOST CONTROL**

- An Oneida County man was uninsured on 5/14/08 when he lost control of his 2007 Suzuki motorcycle and ran off a road. He was not badly hurt and used his cell phone to contact State Farm Insurance Company from the accident scene to obtain insurance for the motorcycle. Less than an hour later, he called the insurer again, this time to report that he had been

involved in an accident and file a damage claim. The claim was denied. An investigation by the Frauds Bureau led to his arrest on 12/11/08.

## B. The Special Prosecutor Program

The Special Prosecutor Program is a pilot program initiated by the Insurance Department in which Frauds Bureau attorneys assist local DA's Offices with prosecutions. In 2008, the program was expanded to ten participating county prosecutor's offices. As part of the program, Frauds Bureau attorneys are cross-designated as assistant district attorneys and assist in all aspects of the cases to which they are assigned. Two such cases are summarized below:

- Three suspects pleaded guilty in Ulster County in connection with their agreement to burn a Chevy Blazer for insurance money. As a result, the insurer avoided paying out more than $38,000 on the fraudulent claim.

- A defendant in Delaware County pleaded guilty to two felony insurance fraud charges in connection with a fire that burned both his home and his car under suspicious circumstances. As a result, the insurer posted a savings of more than $150,000.

In addition, under a program initiated in 2003, Frauds Bureau investigators are assigned to prosecutors' offices to work side-by-side with their investigative staff. During 2008, investigators were assigned to the following DAs' Offices: Suffolk, Queens, Albany, Westchester and Monroe Counties.

## C. Waiver of Co-Insurance

New York State has received more than $9 million in refunds and $78,551 in fines from five health care providers that inappropriately billed United Health Care, which administers the Empire Plan, the primary health insurance plan for State employees. The bills submitted by the providers did not reflect the fact that the out-of-network providers were systematically waiving co-insurance payments that were required to be paid by Empire Plan members. Because payments should reflect the actual charge, the bills were improperly inflated by the amount waived. Following reports by the New York State Comptroller that the providers were waiving the required co-insurance payments, the New York State Insurance Department conducted its own investigation and as a result received signed stipulations from four of the five providers. In those stipulations, the four providers agreed to pay civil fines to the Insurance Department and to reimburse United Health Care for the overpayment of the claims. The stipulations also state that the providers will discontinue the practice of waiving the co-insurance payments for Empire Plan members. These four providers are:

- Endoscopy Center of Long Island, which reimbursed the State $3,135,834 and paid a civil penalty of $31,358;
- Capital Region Ambulatory Surgery Center, Albany, which paid $2,225,015 in reimbursement and $22,250 in fines;
- Digestive Health Center of Huntington, Huntington, which repaid $1,332,120 and paid $13,321 in fines; and

- Day Op of North Nassau, Great Neck, which repaid $1,162,232 and paid a fine of $11,622.

The Department is negotiating fines and reimbursement with a number of other providers involved in this investigation.

**D. Web-Based Case Management System**

The Frauds Bureau's Web-Based Case Management System, known as FCMS, was fully implemented in the first quarter of 2007. Approximately 90% of the Bureau's 2008 fraud reports (IFBs) were electronically transmitted and received remotely from insurers. Insurers have access to FCMS through the Department portal using secure accounts.

The benefits to insurers include automatic acknowledgment of fraud reports, automatic notification of case assignments and eventual case disposition. Insurers also benefit from on-line help screens and an on-line manual of operations, as well as search and cross-reference features. Frauds and Systems Bureaus staff continually monitor the system and make improvements and changes as necessary.

**E. Mobile Command Center**


The Department's Mobile Command Center (MCC) was involved in a variety of activities during the past year. The MCC was dispatched to New York City, following a March 15 crane collapse at a construction site on Manhattan's East Side where 18 buildings and more than 250 dwelling units were affected. Pictured with the MCC at its location near the accident site (from l.) is Wing Liu (Consumer Services), John Toucher (Frauds) and Golda Moore (Consumer Services). Staff from both Bureaus were on hand to provide immediate help to community residents with inquiries regarding insurance policies and coverage, claims filing and insurance-related complaints.

Staff from the Frauds Bureau were responsible for all functions and operations of the MCC. The MCC's communications capabilities enabled the business operations of the Department and the insurance industry to proceed efficiently, thus mitigating the time from response to recovery. The Department worked closely with the City's Office of Emergency Management and other state and federal agencies to help ease the burden on those affected by the tragedy.

The MCC was also on display at the Annual Disaster Preparedness Commission Conference on September 15-17, 2008. The Commission, chaired by the State Emergency Management Office, counts 23 State agencies and one volunteer organization – the American

Red Cross – among its members. The Annual Conference offers an opportunity for each agency to publicize its accomplishments and activities, and to meet with members of the public. The MCC was highly visible at the conference and Frauds Bureau Manager of Technical Services Nikki Brate conducted several demonstrations of the vehicle's capabilities to attendees.

**F. Gone Fishin'**

After 27 years with the Frauds Bureau, Chief Investigator Tony DeRiso decided in September that it was time to retire. Chief DeRiso spent 24 years with the NYPD before joining the Frauds Bureau in January 1982, a few short months after the Bureau began operations. He served the people of the State of New York along with eight governors, seven mayors and ten Superintendents of Insurance. Deputy Chief Investigator John Browne (at right in photo) presented Tony with a plaque in recognition if his many years of dedicated service to the Frauds Bureau. Best wishes, Tony.

Frauds Bureau Director Frank Orlando (at right in photo) took the occasion of the retirement of Assistant Chief Investigator Charles "Buzz" Sawyer to present Buzz with a plaque to acknowledge his dedicated service during his tenure at the Frauds Bureau. Buzz joined the Bureau after a distinguished career with the F.B.I. He retired in April after 18 years of State service. Good luck, Buzz.

**G. Moving On Up**

Deputy Chief Investigator Sean Ralph moved up to Assistant Chief Investigator on July 14, 2008, following the retirement of former Assistant Chief Buzz Sawyer. In the photo, Assistant Chief Ralph (center), with Director Orlando (left) and Deputy Director Carbone, shows off his new shield. Sean calls the Frauds Bureau's Oneonta Office "home." In his new position, Sean is responsible for the day-to-day operations in the Bureau's five upstate offices. He will also be more actively involved in the operations of the various task forces and working groups of which the Bureau is a member. Congratulations, Sean.

## *V. Directions for 2009*

### A. Auto Give-Ups/Auto Arson

Arrests in cases involving auto give-ups spiked by 35% over the past year in New York State, up from 96 in 2007 to 130 in 2008. Fraud experts believe that the downturn in the economy may be a factor in the uptick, as owners abandon their cars or in many cases arrange to have them burned and then report them stolen in an effort to collect the insurance payout. As the economy worsens, car owners can see give-ups as a means to avoid steep car payments or alleviate general debt. The Frauds Bureau will carefully monitor the auto insurance market during the coming year to keep abreast of fraud trends.

### B. Special Investigations Unit Examinations

The Frauds Bureau's examiner staff performed a targeted audit of the SIU of a large auto insurer in 2008 and a Report on Examination will be issued in 2009. The Bureau will continue its examination of SIUs in the coming year. Insurers are selected for targeted examinations from those that have filed a Fraud Prevention Plan with the Department and have a history of complaints and/or concerns pertaining to their SIU operations and Fraud Plans.

The Frauds Bureau also supports and assists the Life, Health and Property Bureaus with market conduct examinations as requested by those Bureaus. The Frauds Bureau will continue to assist the regulatory bureaus with examinations in 2009.

## *VI. Legislation*

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

- 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;
- Adding language to Section 176.05 of the New York State Penal Law to specifically include electronic and oral communications in the definition of insurance fraud;
- Requiring a periodic certification of continued eligibility by recipients of workers' compensation or disability benefits;
- 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;
- 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;
- Increasing penalties in the Vehicle and Traffic Law to reduce the number of uninsured or unlicensed motorists in New York State; and
- Amending Section 109 of the Insurance Law to increase the penalty from $500 to $2,500 for licensees who willfully violate the Insurance Law.

## *VII. Appendices*

| **IFBs Received by Year** | **2004** | **2005** | **2006** | **2007** | **2008** | |
|---|---|---|---|---|---|---|
| Boat Theft * | 0 | 0 | 0 | 2 | 4 | |
| Auto Theft | 1,778 | 1,082 | 1,360 | 1,679 | 1,610 | |
| Theft From Auto | 79 | 67 | 90 | 62 | 38 | |
| Auto Vandalism | 297 | 263 | 326 | 198 | 185 | |
| Auto Collision Damage | 1,614 | 1,071 | 1,287 | 1,260 | 1,388 | |
| Auto Fraudulent Bills | 33 | 19 | 39 | 145 | 79 | |
| Auto Miscellaneous | 1,451 | 1,335 | 1,125 | 1,045 | 1,092 | |
| Auto I.D. Cards** | 0 | 0 | 0 | 180 | 10 | |
| No-Fault Insurance*** | 14,328 | 13,287 | 10,117 | 11,242 | 0 | *** |
| **Total - Auto Unit** | **19,580** | **17,124** | **14,344** | **15,813** | **4,406** | |
| | | | | | | |
| Workers' Compensation | 1,027 | 1,118 | 1,034 | 1,472 | 1,428 | |
| **Total - Workers' Comp Unit** | **1,027** | **1,118** | **1,034** | **1,472** | **1,428** | |
| | | | | | | |
| Disability Insurance | 65 | 96 | 129 | 245 | 382 | |
| Health Accident Insurance | 2,236 | 2,183 | 1,495 | 1,212 | 1,421 | |
| No-Fault Insurance*** | 0 | 0 | 0 | 0 | 12,339 | *** |
| **Total - Medical/No-Fault Unit** | **2,301** | **2,279** | **1,624** | **1,457** | **14,142** | |
| | | | | | | |
| Boat Fire * | 0 | 0 | 0 | 2 | 1 | |
| Auto Fire | 400 | 309 | 310 | 460 | 444 | |
| Fire – Residential | 135 | 154 | 157 | 120 | 180 | |
| Fire – Commercial | 30 | 36 | 24 | 23 | 29 | |
| **Total - Arson Unit** | **565** | **499** | **491** | **605** | **654** | |
| | | | | | | |
| Burglary - Residential | 378 | 333 | 228 | 336 | 509 | |
| Burglary - Commercial | 78 | 108 | 72 | 159 | 140 | |
| Homeowners | 450 | 651 | 705 | 727 | 569 | |
| Larceny | 58 | 48 | 56 | 43 | 44 | |
| Lost Property | 263 | 339 | 256 | 158 | 254 | |
| Robbery | 22 | 16 | 20 | 26 | 28 | |
| Bonds | 5 | 5 | 1 | 4 | 8 | |
| Life Insurance | 61 | 251 | 130 | 180 | 199 | |
| Ocean Marine Insurance | 27 | 30 | 18 | 12 | 7 | |
| Reinsurance | 0 | 0 | 0 | 1 | 0 | |
| Appraisers/Adjusters | 7 | 4 | 3 | 5 | 9 | |
| Agents | 52 | 42 | 41 | 46 | 47 | |
| Brokers | 157 | 71 | 29 | 85 | 72 | |
| Ins. Company Employees | 4 | 3 | 3 | 7 | 12 | |
| Insurance Companies | 13 | 9 | 29 | 36 | 34 | |
| Title/Mortgage * | 0 | 0 | 0 | 6 | 13 | |
| Commercial Damage* | 0 | 0 | 0 | 18 | 41 | |

| | | | | | |
|---|---|---|---|---|---|
| Auto I.D. Cards** | 130 | 214 | 73 | 0 | 0 |
| Unclassified | 504 | 429 | 881 | 883 | 438 |
| **Total - General Unit** | **2,209** | **2,553** | **2,545** | **2,732** | **2,424** |

| **IFBs Received** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|
| Auto Unit Totals^ | 19,580 | 17,124 | 14,344 | 15,813 | 4,406 |
| Workers Comp Unit Totals | 1,027 | 1,118 | 1,034 | 1,472 | 1,428 |
| Medical/No-Fault Unit Totals^^ | 2,301 | 2,279 | 1,624 | 1,457 | 14,142 |
| Arson Unit Totals | 565 | 499 | 491 | 605 | 654 |
| General Unit Totals | 2,209 | 2,553 | 2,545 | 2,732 | 2,424 |
| Unassigned | 1,597 | 2,372 | 2,846 | 0 | 0 |
| **Grand Total** | **27,279** | **25,945** | **22,884** | **22,079** | **23,054** |

***** **New categories added in 2007.**
****** **Auto ID Card Unit merged into Auto Unit in January 2007.**
******* **Medical and No-Fault merged in January 2008.**
^ **Data prior to 2008 reflects Auto and No-Fault Unit totals.**
^^ **Data prior to 2008 reflects Medical Unit total only.**

| **Cases Opened by Year** | **2004** | **2005** | **2006** | **2007** | **2008** | |
|---|---|---|---|---|---|---|
| Boat Theft * | 0 | 0 | 0 | 0 | 0 | |
| Auto Theft | 79 | 86 | 124 | 219 | 204 | |
| Theft From Auto | 3 | 3 | 4 | 1 | 3 | |
| Auto Vandalism | 7 | 13 | 8 | 6 | 16 | |
| Auto Collision Damage | 23 | 30 | 41 | 51 | 62 | |
| Auto Fraudulent Bills | 3 | 3 | 1 | 3 | 12 | |
| Auto Miscellaneous | 12 | 11 | 29 | 31 | 25 | |
| Auto I.D. Cards** | 0 | 0 | 0 | 8 | 1 | |
| No-Fault Insurance*** | 73 | 122 | 142 | 160 | 0 | *** |
| **Total - Auto Unit** | **200** | **268** | **349** | **479** | **323** | |
| | | | | | | |
| Workers' Compensation | 669 | 624 | 440 | 219 | 445 | |
| **Total - Workers' Comp Unit** | **669** | **624** | **440** | **219** | **445** | |
| | | | | | | |
| Disability Insurance | 12 | 12 | 21 | 21 | 31 | |
| Health Accident Insurance | 59 | 59 | 57 | 56 | 103 | |
| No-Fault Insurance*** | 0 | 0 | 0 | 0 | 128 | ******* |
| **Total - Medical/No-Fault Unit** | **71** | **71** | **78** | **77** | **262** | |
| | | | | | | |
| Boat Fire * | 0 | 0 | 0 | 0 | 0 | |
| Auto Fire | 106 | 60 | 52 | 59 | 64 | |
| Fire – Residential | 16 | 24 | 24 | 23 | 47 | |
| Fire – Commercial | 11 | 9 | 8 | 5 | 7 | |
| **Total - Arson Unit** | **133** | **93** | **84** | **87** | **118** | |
| | | | | | | |
| Burglary – Residential | 7 | 7 | 8 | 19 | 26 | |
| Burglary – Commercial | 4 | 6 | 6 | 20 | 3 | |
| Homeowners | 18 | 20 | 24 | 45 | 51 | |
| Larceny | 7 | 4 | 8 | 4 | 15 | |
| Lost Property | 2 | 3 | 3 | 4 | 7 | |
| Robbery | 1 | 0 | 1 | 1 | 0 | |
| Bonds | 2 | 2 | 1 | 0 | 2 | |
| Life Insurance | 8 | 4 | 7 | 8 | 16 | |
| Ocean Marine Insurance | 2 | 3 | 4 | 4 | 4 | |
| Reinsurance | 0 | 0 | 0 | 0 | 0 | |
| Appraisers/Adjusters | 2 | 2 | 2 | 3 | 5 | |
| Agents | 13 | 21 | 7 | 18 | 11 | |
| Brokers | 9 | 9 | 12 | 18 | 11 | |
| Ins. Company Employees | 2 | 2 | 1 | 3 | 5 | |
| Insurance Companies | 1 | 1 | 1 | 9 | 9 | |
| Title/Mortgage * | 0 | 0 | 0 | 3 | 3 | |
| Commercial Damage* | 0 | 0 | 0 | 3 | 3 | |
| Auto I.D. Cards** | 10 | 5 | 10 | 0 | 0 | |

| | | | | | |
|---|---|---|---|---|---|
| Miscellaneous | 20 | 34 | 55 | 48 | 48 |
| **Total - General Unit** | **108** | **123** | **150** | **210** | **219** |

| | | | | | |
|---|---|---|---|---|---|
| **Grand Total** | **1,181** | **1,179** | **1,101** | **1,072** | **1,367** |

| **Investigations** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|
| Auto Unit Totals^ | 200 | 268 | 349 | 479 | 323 |
| Workers Comp Unit Totals | 669 | 624 | 440 | 219 | 445 |
| Medical/No-Fault Unit Totals^^ | 71 | 71 | 78 | 77 | 262 |
| Arson Unit Totals | 133 | 93 | 84 | 87 | 118 |
| General Unit Totals | 108 | 123 | 150 | 210 | 219 |
| **Total** | **1,181** | **1,179** | **1,101** | **1,072** | **1,367** |

***** **New categories added in 2007.**
****** **Auto ID Card Unit merged into Auto Unit in January 2007.**
******* **Medical and No-Fault merged in January 2008.**
^ **Data prior to 2008 reflects Auto and No-Fault Unit totals.**
^^ **Data prior to 2008 reflects Medical Unit total only.**

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

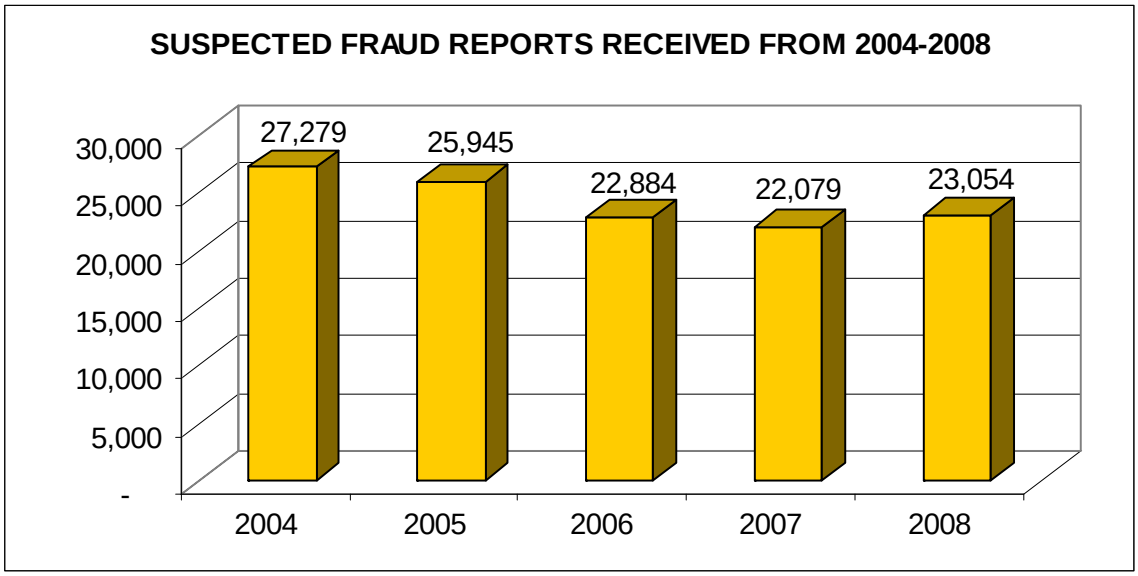
| **2005** | **IFBs** | **Cases** | **Arrests** |
|---|---|---|---|
| No-Fault/Auto Unit Total | 17,124 | 268 | 391 |
| Workers' Comp Unit Total | 1,118 | 624 | 147 |
| Medical Unit Total | 2,279 | 71 | 68 |
| General Unit Total | 499 | 123 | 88 |
| Arson Unit Total | 2,553 | 93 | 59 |
| **Grand Total**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

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

| **2007** | **IFBs** | **Cases** | **Arrests** |
|---|---|---|---|
| No-Fault/Auto Unit Total | 15,813 | 479 | 352 |
| Workers' Comp Unit Total | 1,472 | 219 | 149 |
| Medical Unit Total | 1,457 | 77 | 57 |
| General Unit Total | 2,732 | 210 | 85 |
| Arson Unit Total | 605 | 87 | 65 |
| **Grand Total** | **22,079** | **1,072** | **708** |

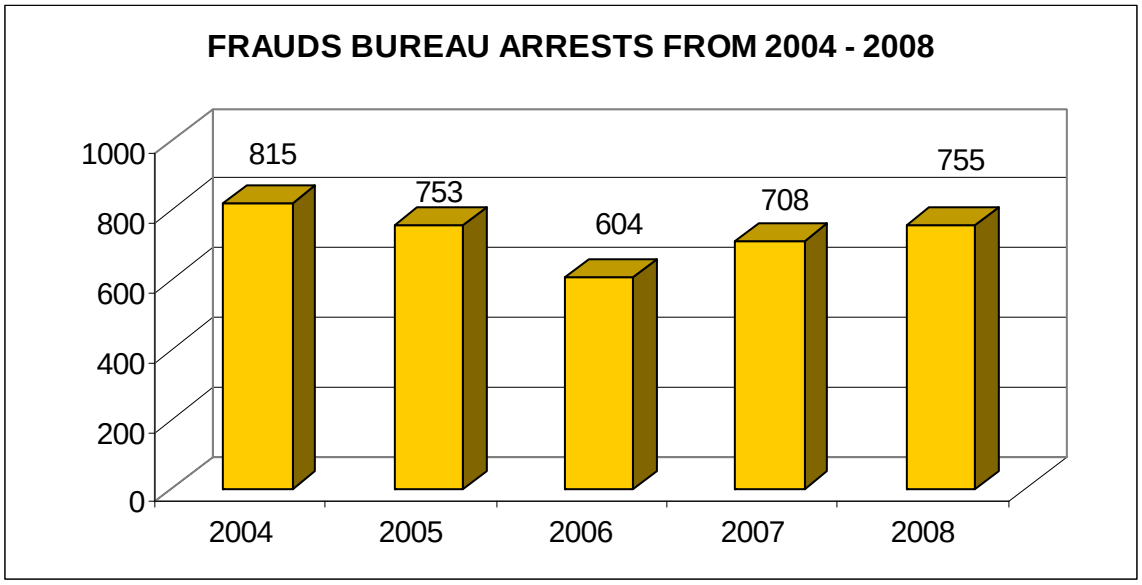
| **2008** | **IFBs** | **Cases** | **Arrests** |
|---|---|---|---|
| Auto Unit Total | 4,406 | 323 | 294 |
| Workers' Comp Unit Total | 1,428 | 445 | 159 |
| Medical/No-Fault Unit Total | 14,142 | 262 | 171 |
| General Unit Total | 2,424 | 219 | 69 |
| Arson Unit Total | 654 | 118 | 62 |
| **Grand Total** | **23,054** | **1,367** | **755** |

**TRENDS**




- From 2003 to 2007, the Frauds Bureau saw a decrease in the number of reports of suspected fraud submitted by industry and other sources. During 2008, there was a slight increase over the previous year in the number of reports received.

## 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.

**Insurance Frauds Bureau**
**Training Program**
**Insurers, Law Enforcement and Community Groups**
**2008**

| Date | Group | Location | Number of Attendees |
|---|---|---|---|
| 01/14/08 | NYS Office of Fire Prevention and Control | Montour Falls, NY | 4 |
| 01/24/08 | New York State Insurance Fund | Albany, NY | 4 |
| 02/09/08 | Western New York Fire Investigators Assn. | Rochester, NY | 36 |
| 02/28/08 | New York Anti Car Theft and Fraud Assn. | Brentwood, NY | 64 |
| 03/17/08 | NYS Office of Fire Prevention and Control | Montour Falls, NY | 27 |
| 04/02/08 | Southern Tier Claims Association | Chittenango, NY | 48 |
| 04/15/08 | New York Claims Association | New York, NY | 60 |
| 04/01/08 | Westchester County Police Academy (Recruits) | Valhalla, NY | 46 |
| 05/01/08 | National Association of Insurance Commissioners (Interns) | New York, NY | 3 |
| 05/12/08 | National Association of Insurance Commissioners (Interns) | New York, NY | 1 |
| 05/16/08 | National Association of Insurance Commissioners (Interns) | New York, NY | 3 |
| 05/29/08 | FDNY Fire Marshals | Brooklyn, NY | 12 |
| 06/09/08 | NYS Office of Fire Prevention and Control | Montour Falls, NY | 31 |
| 06/16/08 | NYPD Police Academy (Recruits – 1st session) | New York, NY | 250 |
| 06/16/08 | NYPD Police Academy (Recruits – 2nd session) | New York, NY | 250 |
| 06/24/08 | New York Anti Car Theft and Fraud Assn. | Syracuse, NY | 55 |
| 06/25/08 | New York Anti Car Theft and Fraud Assn. | Syracuse, NY | 55 |
| 06/30/08 | NYPD Police Academy (Recruits) | New York, NY | 455 |
| 09/09/08 | Travelers Insurance Co. (Claims Adjusters) | Colonie, NY | 30 |
| 09/29/08 | NYS Office of Fire Prevention and Control | Montour Falls, NY | 28 |
| 10/09/08 | Capital District Fire Investigators | Guilderland, NY | 25 |
| 10/15/08 | Fulton County Fire Advisory Board | Johnstown, NY | 15 |
| 10/23/08 | Praetorian Insurance Co. (Claims, Under-writers, SIU) | Saddle Brook, NY | 41 |
| 10/28/08 | Amica Insurance Co. (Claims, Underwriters, SIU) | Bethel, CT | 44 |
| 12/03/08 | National Association of Insurance Commissioners (Interns) | New York, NY | 1 |
| 12/03/08 | Hereford Insurance Co. (Claims, Underwriters, SIU) | New York, NY | 73 |
| 12/11/08 | Westchester County Police Academy (Recruits) | Valhalla, NY | 40 |
| 12/16/08 | NYPD Police Academy (Recruits – 1st session) | New York, NY | 205 |

| | | | |
|---|---|---|---|
| **12/16/08** | **NYPD Police Academy (Recruits – 2nd session)** | **New York, NY** | **175** |
| **12/19/08** | **Worcester Central School** | **Worcester, NY** | **15** |
| **12/29/08** | **NYPD Police Academy (Recruits)** | **New York, NY** | **300** |
| **TOTALS** | **GROUPS 31** | **PARTICIPANTS** | **2,396** |

**Fraud Plans on File as of 12/31/08**

ACE USA Group of Companies
Aetna Life Insurance Company
AIG Companies
Allstate Insurance Company
Allstate Life Insurance Company
AM Trust Financial
Amalgamated Life Insurance Company
American Family Life Assurance of New York
American International Life Assurance Company of New York
American Medical and Life Insurance Company
American Modern Insurance Group
American Progressive Life and Health Insurance Company of New York
American Transit Insurance Company
AmeriChoice of New York, Inc.
AMEX Assurance Company
Amica Mutual Insurance Company
Arch Insurance Company
Assurant Group
Auto One Insurance Company
Balboa Life Insurance of New York
Capital District Physicians Health Plan
Central Mutual Insurance Company
Central States Indemnity Company of Omaha
Centre Life Insurance Company
Chubb Group of Insurance Companies
CIGNA Health Group
Cincinnati Insurance Company
Clarendon National Insurance Group
CNA Insurance Companies
Combined Life Insurance Company of New York
Countryway Insurance Company
Country-Wide Insurance Company
CUNA Mutual Insurance Society
Dairyland Insurance Company
Delta Dental Insurance Company
Delta Dental of New York
Dentcare Delivery Systems
Eastern Vision Service Plan
Electric Insurance Company
Empire Blue Cross Blue Shield
Encompass Insurance
Erie Insurance Group
Esurance Insurance Company
Eveready Insurance Company

Excellus BlueCross BlueShield
Farm Family Casualty Insurance Company
Farmers New Century Insurance Company
Fiduciary Insurance Company of America
Fireman's Fund Insurance Company
First Ameritas Life Insurance Company of New York
First Great-West Life Annuity Insurance Company
First Rehabilitation Life Insurance Company of America
First Reliance Standard Life Insurance Company
First United American Life Insurance
Fort Dearborne Life Insurance Company of New York
GEICO
General Casualty insurance of Wisconsin - Blue Ridge
Genworth Life Insurance Company of New York
Gerber Life Insurance Company
Global Liberty Insurance Company of New York
Globe Life & Accident Insurance Company
GMAC Insurance
Great American Insurance Company Group
Group Health Incorporated
Guard Insurance Group
Guardian Life Insurance Company of America
Hanover Insurance Company
Harleysville Insurance Companies
Harford Fire and Casualty Group
Hartford Life Insurance Company
Health Net
Healthnow New York, Inc.
Hereford Insurance Company
HIP Health Plans
HM Life Insurance Company of New York
IDS Property and Casualty Insurance Company
Independent Health Association, Inc.
Infinity Property Casualty Companies
ING Life Insurance and Annuity Company
Interboro Insurance Company
John Hancock Life Insurance Company of New York
Lancer Insurance Company
Liberty Mutual Insurance– Agency Markets
Liberty Mutual Insurance – Personal Lines
Liberty Mutual Insurance – Commercial Lines
Liberty National Life Insurance Company
Life Insurance Company of Boston & New York
Lincoln General Insurance Company
Lincoln Life and Annuity Company of New York
Magna Carta Companies

Main Street America Group
Merchants Insurance Group
Mercury Insurance Group
Metropolitan Life Insurance Company
Metropolitan Property & Casualty Insurance Group
Mutual of Omaha Insurance Company
MVP Health Plan
National Benefit Life Insurance
National Income Life Insurance Company
Nationwide Insurance Group
New York Automobile Insurance Plan
New York Central Mutual Fire Insurance Company
New York Life Insurance Company
New York State Insurance Fund
Nippon Life of America
Northwestern Mutual Life Insurance Company
Nova Casualty Company
Ohio Casualty Insurance Company
OneBeacon Insurance Company
Oxford Health Plans
Preferred Mutual Insurance Company
Principal Life Insurance Company
Progressive Group of Insurance Companies
Response Insurance
Rochester Area HMO, Inc.
Safeco Insurance Company
SBLI USA Mutual Life Insurance Company, Inc.
Security Mutual Life Insurance Company of New York
Selective Insurance Group, Inc.
Standard Life insurance Company of New York
Standard Security Life Insurance Company of New York
State Farm Insurance Companies
State-Wide Insurance Company
Sun Life Insurance and Annuity Company of New York
The Prudential of America Group
Tower Group of Companies
Transamerica Financial Life Insurance Company
Travelers
Tri-State Consumer Insurance Company
Trustmark Insurance Company
Unicare Life & Health Insurance Company
Union Labor Life Insurance Company
Union Security Life Insurance Company of New York
United Concordia Insurance of New York
United HealthCare of New York
Unitrin Direct Insurance Company

UnumProvident Corporation
USAA Group
Utica National Insurance Group
Zurich North America

**Insurance Frauds Bureau Staff – December 31, 2008**

**NEW YORK CITY OFFICE**
Director
Deputy Director

1 Counsel
1 Assistant Chief Investigator
7 Deputy Chief Investigators
13 Senior Investigators
7 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
1 Keyboard Specialist

**MINEOLA OFFICE**
1 Deputy Chief Investigator
2 Senior Investigators
2 Investigators

**ALBANY OFFICE**
1 Assistant Counsel
2 Senior Investigators
5 Investigators
1 Manager of Technical Services

**BUFFALO OFFICE**
1 Deputy Chief Investigator
1 Senior Investigator
1 Investigator

**ROCHESTER OFFICE**
1 Investigator

**SYRACUSE OFFICE**
2 Senior Investigators

**ONEONTA OFFICE**
1 Assistant Chief Investigator
1 Senior Investigator
3 Investigators

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