

**New York State Insurance Department**

**Insurance Frauds Bureau**



**George E. Pataki**  
**Governor**

**Neil D. Levin**  
**Superintendent of Insurance**

**January 15, 1999**

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

January 15, 1999

To the Governor and the Legislature:

Enclosed is the Seventeenth Annual Report of the Superintendent of Insurance on the operations of the Insurance Frauds Prevention Act and the activities of the Insurance Frauds Bureau of the Department of Insurance.

Respectfully submitted,

Neil D. Levin  
Superintendent of Insurance

**1998 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 INSURANCE LAW)**

## **I. Introduction**

The Insurance Frauds Bureau (IFB) was established by an act of the Legislature in 1981 as a law enforcement agency within the New York State Department of Insurance. Its primary mission is the detection, investigation and referral for prosecution of individuals and groups that commit insurance fraud and related crimes. IFB staff consists of 29 investigators, organized in eight units: Arson, Automobile, Fraudulent Cards, General, Medical, Organized Fraud, Upstate, and Workers' Compensation, each of which is headed by a Supervising Investigator. Investigative oversight is performed by the Chief Investigator with the assistance of one Principal Investigator. The investigative staff are designated by the Superintendent as "peace officers" as defined in Section 2.10 of the New York State Criminal Procedure Law.

IFB also has a staff of three insurance examiners who work under the supervision of a Principal Examiner. There are six support staff who report to the Secretary to the Director. IFB has its headquarters in New York City, and has offices in Albany, Buffalo, Mineola, Oneonta, Rochester and Syracuse. A complete list of IFB staff by title and location appears in the Appendix.

## **II. Operational Overview**

### **A. Administration**

This year is marked by a number of changes in Bureau personnel, with the hiring of a new Director and Deputy Director. Charles DeRienzo joins the Bureau as Director after years of investigative and administrative experience with the New York Police Department (NYPD). Deputy Director George Johansen comes to the Bureau from the office of the Special Commission of Investigation for New York City School Districts, where he spent eight years as an Investigation Supervisor and Director of Training. In addition, George has a strong investigative and administrative background with the New York State Police. A long-standing member of the Frauds Bureau, Deputy Director Andy Bottari, passed away during 1998 leaving a big void to fill. Mr. Bottari was a member of the staff since 1981 and will be sorely missed. In addition, a new Deputy Superintendent, Louis Pietroluongo, was hired whose management responsibilities include direct supervision of the Frauds Bureau. Lou's strong administrative and program development skills will be a great asset to the Bureau.

The new team will work together to strengthen the IFB in all areas of its operations. They will review the investigative process itself as well as all administrative processes to ensure that the Bureau is working efficiently and that they are maximizing all available resources. Staff training will be a top priority in order to enhance the skills necessary to meet the challenges of the future.

Our 1999 goals include the following:

- Conduct more undercover sting operations;
- Work closely with local law enforcement departments and their undercover operations to attack fraud on a proactive basis;
- Maximize the resources of the entire Insurance Department most immediately to identify areas of fraud on which Bureau investigative teams can concentrate;
- Use the Insurance Department website to solicit information and intelligence from the general public as well as the insurance industry so that stronger cases can be developed for prosecution; and
- Continue to work with the Office of General Counsel to strengthen and expand the ability to levy and collect civil fines.

During 1998, the Bureau received 305 fraud prevention plans from insurance companies. Bureau staff must review each plan to ensure that it is in compliance with the provisions of Regulation 95. The Regulation requires insurers that write a certain minimum number of policies in specific lines of insurance in any given year to (1) file with the Superintendent a plan for the detection, investigation and prevention of insurance fraud, and (2) to establish Special Investigations Units (SIUs) to be responsible for these investigations. The Legislature has given us the tools which we will use to create an efficient team to combat insurance fraud throughout New York State.

The first step in this process is to get insurers to understand their role on this team. To accomplish this, the Bureau has developed a schedule of regular meetings with representatives of insurers' SIUs which are designed to enhance the flow of information and ideas. Our goal is to build a strong cohesive Department and industry team. In addition, the Bureau is holding a series of off-site fraud conferences for the insurance industry and prosecutors with the goal of sharing information and educating one another to be better fraud fighters.

Using Regulation 95, the Bureau will examine each insurance company to monitor its progress in identifying and combating fraud. The Bureau will build databases of information, enabling us to assess how each company compares with others in the fraud-fighting business.

## **B. Investigations**

In 1998, IFB received a total of 21,170 reports of suspected insurance fraud. Of these, 21,090 reports were received from licensees required to submit such reports to the Department, and 80 reports were received from other sources such as consumers and anonymous tips. In 1998, IFB opened 1,317 new investigations and continued its work on cases pending from prior years.

These efforts led to 133 cases being referred to prosecutorial agencies for criminal prosecution and 53 being civilly settled or referred to the Office of General Counsel (OGC) for civil proceedings. Comparative multi-year statistics on fraud reports and investigations appear in the Appendix.

### **C. Arrests and Prosecutions**

In 1998 the IFB participated in investigations leading to the arrests of 371 individuals for insurance fraud and related crimes--the highest number in the 18-year history of the Bureau. This number reflects a 34 percent increase in arrests over the previous year and an overall 223 percent increase in arrests during the first four years of the current Administration. This significant increase in criminal prosecutions reflects the strong support the Bureau has received from Governor Pataki and the Legislature. This support has enabled us to add significantly to our staff of investigators, to establish new units focusing on particular kinds of fraud, and to strengthen our relationships with the industry, with law enforcement and with prosecutors. During the course of the year, prosecutors obtained 101 criminal convictions and 99 individuals were sentenced in connection with IFB cases.

IFB activities resulted in hefty fines against 42 individuals who were sentenced to pay nearly \$4 million in court-ordered restitution. In 12 cases, individuals made voluntary restitution to insurance companies amounting to an additional \$221,641. In 47 instances, insurance companies were able to achieve savings totaling \$3.5 million with respect to fraudulent claims under investigation by IFB.

### **Workers' Compensation**

Governor Pataki in 1996 signed into law historic reforms in New York State's workers' compensation system aimed at reducing employer costs and improving workplace safety. The law also included significant anti-fraud provisions designed to root out fraud across all lines of insurance and increase penalties against offenders. As a result of this legislation, the IFB established a Workers' Compensation Unit which began operation in mid-February 1997. Since then, the Unit has begun examining in detail every report of suspected workers' compensation fraud received from the industry and the public. The Unit has been working closely with the Workers' Compensation Inspector General and his investigative staff to coordinate efforts.

In September, the culmination of a team effort of the IFB, the Workers' Compensation Inspector General, the insurance industry and various upstate prosecutors led to the arrest of 18 individuals who committed crimes involving workers' compensation insurance fraud. The State Insurance Fund and a number of insurers—CGU Group, Royal, Erie, Travelers, St. Paul and Great American--uncovered instances of possible insurance fraud, reported these instances and assisted the IFB and the Workers' Compensation Inspector General in furthering the investigation. The arrests included claimants, medical providers and employers and covered a full range of workers' compensation insurance fraud. Those arrested had already collected more than \$225,000, with another \$1.5 million in potential exposure.

The following are examples of major IFB cases investigated and prosecuted in 1998 that involve workers' compensation as well as various other types of insurance fraud:

### **Automobile Insurance**

- ◆ A Nassau County resident was arrested and charged with insurance fraud, grand larceny and tampering with a witness. The defendant claimed to have been injured during an auto accident and in support of his claim submitted vouchers for transportation to and from medical facilities. The defendant was found to have been employed while receiving benefits in the amount of \$27,912 from his insurance carrier. This matter is being prosecuted by the Nassau County District Attorney's Office.
- ◆ A Nassau County couple was arrested on charges of insurance fraud. During the period October 1992 through April 1997, the defendants conspired with others to defraud numerous insurance carriers by staging accidents. In connection with these alleged accidents, the defendants submitted fraudulent documentation to numerous insurance carriers and received benefits totaling \$500,000. This matter was investigated with cooperation from the U.S. Postal Investigative Services and is being prosecuted by the Office of the U.S. Attorney, Eastern District.
- ◆ A joint investigation by the IFB, the Manhattan District Attorney's Office, the U.S. Department of State and American International Group resulted in the arrest of a major Manhattan insurance broker for fleet auto insurance purchased by foreign countries. The broker was charged with stealing nearly \$400,000 in two different insurance scams. In the first scam, which ran from 1990 to 1998, the broker sold auto insurance to countries that stationed diplomatic personnel in the New York area. He inflated the premium charged to these countries and pocketed the amount in excess of the appropriate premium, more than \$300,000. The broker conducted the second scam, this time involving marine insurance and reinsurance, in the same way, illegally pocketing more than \$50,000. The charges against the broker—grand larceny in the second and third degrees—carry penalties of up to 15 years in prison; grand larceny in the fourth degree and scheme to defraud in the first degree are punishable by up to four years.
- ◆ A new IFB initiative with the Department of Motor Vehicles (DMV) Auto Theft Unit and the NYPD resulted in two arrests and the recovery of stolen vehicles valued at more than \$200,000. Members of both the Frauds Bureau and DMV visited parking garages and parking lots seeking the recovery of stolen vehicles. When a stolen vehicle was discovered, the IFB began an investigation. So far, seven stolen vehicles have been recovered, one valued at more than \$70,000. The two suspects, one a New York City school custodian from New Windsor, NY, the other a truck driver from Pennsylvania, surrendered to members of the NYPD and were charged with insurance fraud based on the IFB investigation.

- ◆ A Nassau County broker, acting on behalf of two principals of a rental car company, secured policies on vehicles registered to shell corporations for a period of a few years. The cars allegedly were for private use by valued employees. The names listed as operators on the policies were those of people who had previously rented cars from the company and had allowed the company to copy their drivers' licenses. As a result of the false operators listed on the policies, the company was paying one-quarter of the premium it should have. When confronted with the results of the IFB investigation, the broker confessed to cheating the insurers out of \$2 million in earned premium. Charges are pending in the Nassau County District Attorney's Office.
- ◆ A Queens taxi driver was arrested for conspiring with two others to collect benefits for the same damages to his private auto from three different insurers. Each claim was for approximately \$10,000. Two claims were paid before the third company learned of the prior history of the vehicle.
- ◆ A Queens resident identified as the kingpin of a group perpetrating insurance fraud was arrested and minimally charged to prevent him from fleeing the country. His group staged approximately 20 vehicle accidents over a period of about one year. There were no bodily injuries and the damages averaged \$5,000 per accident for a total of \$100,000 claimed, about half of which was paid by the insurers. The Queens District Attorney subsequently ordered his re-arrest on more charges. Six or seven of his co-conspirators also face arrest.
- ◆ "Operation Targeting Auto Related Insurance Fraud" was a joint investigation involving the IFB, the NYPD Auto Crime Division, the New York State Attorney General's Office and other local prosecutors. The investigation targeted individuals who willingly disposed of their vehicles in order to collect insurance money on a false theft claim. A covert chop shop named Starlight Exports was set up to receive the "stolen" vehicles. A total of 72 cars were recovered and 54 arrests were made. Additional arrests are expected in New Jersey. The sting also led to two salvage yards in Queens that had ties to Russian organized crime. Another 21 arrests were made at those locations in addition to the recovery of over \$750,000 worth of auto parts.
- ◆ A joint investigation by the IFB and the NYPD Auto Crime Division named PICS Turkey Inc. ("Phony Insurance Card Scam") uncovered numerous Queens and Brooklyn residents who bought bogus insurance cards to register their vehicles. Each person was mailed a coupon indicating that they were winners of a free turkey as part of a promotion. While they awaited the arrival of their Thanksgiving turkey, they were instead arrested on charges of taking part in a phony insurance card scheme.
- ◆ An undercover operation with the IFB and the NYPD Street Crime Unit resulted in two arrests in New York City. This two-man scam began in 1990 and as a result of records obtained through a search warrant, it was estimated they were doing a \$1 to \$2 million business in selling phony insurance cards.

- ◆ A joint operation by the IFB and the NYPD Auto Crime Division resulted in ten arrests as a result of a search warrant in Brooklyn. The records obtained from the warrant indicated that the location had been used since 1990 for a scam estimated at \$2-million involving the sale of fraudulent insurance cards. The insurance companies victimized by the fraud were Greater New York Mutual, General Accident, Kemper, Maryland Casualty, Crum and Forster, New York Central Mutual, Liberty Mutual, State Farm, the New York Automobile Insurance Plan, Allstate, American Transit and GEICO.
- ◆ A total of 86 arrests have been made in connection with a phony insurance card business following a joint investigation by the IFB and the NYPD. A search warrant in Brooklyn uncovered records indicating that phony insurance cards had been sold there since 1986. As a result of the investigation, an operation estimated at \$1.5 million was shut down.

### **Workers' Compensation Insurance**

- ◆ A Massapequa man was arrested and charged with insurance fraud in the third degree and offering a false instrument for filing in the first degree. His wife was charged with insurance fraud in the fourth degree. It is alleged that the man, the principal owner of Cross Island Fence Incorporated, had his workers' compensation policy cancelled by the State Insurance Fund for nonpayment of premiums in the amount of \$34,600. However, 22 days after the cancellation, his wife, under her maiden name, applied to the State Insurance Fund for insurance coverage for a new company, American Chain Link and Construction.
- ◆ IFB, in cooperation with the Nassau District Attorney's Office arrested eight suspects on charges of workers' compensation fraud. Six employees were charged with obtaining workers' compensation payments fraudulently, while two employers allegedly falsified workers' compensation certificates.
- ◆ A Massapequa man was arrested for grand larceny in the fourth degree and perjury in the first degree. It is alleged he made a false injury claim while working for the A-1 Tree and Shrub Service. While receiving benefits, he lied to the Workers' Compensation Board, stating that he could not work. However, he was videotaped working for a carpet installer.

### **Commercial Insurance**

- ◆ A Queens woman was arrested and charged with multiple counts of insurance fraud, grand larceny and scheme to defraud. The defendant submitted false claims to numerous insurance carriers regarding slip-and-fall injuries, using numerous names, addresses and false medical documentation. As a result of this scheme, the defendant received payment of more than \$11,000 from insurance carriers to which she was not entitled. The defendant was convicted and sentenced to three years of supervised probation and court ordered restitution in the amount of \$13,815 to the concerned insurance carriers.

- ◆ As a result of a joint investigation by the IFB, the Nassau County Arson Squad, U.S. Postal Inspectors and members of the Alcohol, Tobacco and Firearms Bureau, two Long Island brothers, one a former police officer, were arrested by the U.S. Attorney's Office. They were charged with and subsequently convicted of arson, mail fraud and conspiracy for the burning down of a nightclub they owned in an unsuccessful attempt to collect \$1 million in insurance benefits.
- ◆ The owner of B & M Auto in Newfane, NY reported that his business had been burglarized. He submitted a claim to Travelers Insurance for about \$40,000 worth of allegedly stolen tools and computer equipment. He subsequently received an insurance settlement check for approximately \$22,000. However, the IFB discovered information indicating that no burglary had occurred and the suspect had actually moved the tools and equipment out of his shop pending the insurance company investigation. Search warrants revealed that after receiving the insurance money, he returned the tools to his shop. Furthermore, the computer equipment had never been in his shop, but at his home. The tools and computer equipment are in the custody of the Niagara County Sheriff, and the suspect has been indicted on felony charges of insurance fraud and grand larceny.

## **Health Insurance**

- ◆ An employee of Empire Blue Cross and Blue Shield was arrested for submitting fraudulent medical claims to her employer. The defendant used the names and particulars of legitimate medical plan members to submit 24 claims and subsequently received benefits in the amount of \$24,000 to which she was not entitled. The defendant took advantage of her position with the insurance carrier to obtain the names of subscribers which she used to defraud the carrier. The benefit checks for the fraudulent claims were mailed to a specified post office in Middletown, New York with a hold on all mail addressed to the persons whose names the defendant was fraudulently using. The defendant entered a guilty plea and is awaiting sentencing.
- ◆ A licensed chiropractor from Webster, NY and two of his patients were arrested on various charges of insurance fraud and grand larceny. The doctor was treating one patient for injuries sustained as a result of a no-fault accident and the other for a workers' compensation injury. Both patients were given total disability by the chiropractor. Referral was made to IFB investigators after General Accident (CGU Group) and the State Insurance Fund found that all three parties were in fact involved in a telephone-card business. Private investigators attended two demonstrations and videotaped the doctor and his two patients actively promoting and selling the cards. Verifications of disability were signed by the doctor and both patients stating neither patient was able to work. However, one patient received \$14,248 in benefits and the other received \$7,966 while working. Both patients were arrested for insurance fraud in the third degree and grand larceny in the third degree. It was subsequently learned that one of the patients had become a licensed insurance agent and had been working as an agent full time for several months while collecting her benefits. The chiropractor was charged with insurance fraud for assisting both parties in obtaining benefits. The cases are pending court action in Monroe County.

## **Disability Insurance**

- ◆ A Suffolk County man was arrested for submitting a fraudulent federal tax return in support of his lost wage claim. This information was discovered during divorce proceedings in Suffolk County Court and was subsequently provided to the IFB. The investigation, conducted in cooperation with the U.S. Postal Investigative Service, disclosed that the defendant had submitted a disability and lost wage claim to the Hartford Insurance Company as the result of an auto accident in 1994. The defendant received \$64,731 for the period 1994 through 1997. He pled guilty to federal charges and was ordered to reimburse the carrier for \$29,845 in claim benefits to which he was not entitled.

## **Surety Insurance**

- ◆ A Long Island general contractor, his construction company and his phony surety bond company were charged with various grand larcenies, insurance fraud and scheme to defraud for engaging in a construction and surety bond fraud that caused the loss of over \$629,000 on various government construction projects in Nassau County. It is alleged that the contractor defaulted on the projects, stole money from the projects which was supposed to be paid to the subcontractors, and submitted fraudulent surety bonds. The surety bonds that were written for the projects were worthless. Two other subjects were subsequently arrested for offering a false instrument for filing in connection with this scheme.

## **Life Insurance**

- ◆ An insurance agent from Irondequoit, NY pled guilty to grand larceny in the third degree for stealing \$33,000 from his clients' policies between August 1996 and March 1997. He admitted that he authorized loans against policies without the owners' knowledge. Checks for the proceeds were sent to his home. He then cashed the checks and spent the money. Prudential Life Insurance Company reinstated all of the policies at their full value and the insurance agent was ordered to make full restitution. This case was brought to the attention of the IFB by the Monroe County Sheriff's Department after being notified by a bank teller who became suspicious after the agent made a deposit into his account.

## **Homeowners Insurance**

- ◆ After moving from California to upstate New York with all his belongings, a Darien, NY resident filed a claim with Prudential indicating that all the items then in this home in Darien had been stolen in California. After receiving a tip, FBI agents and IFB investigators got a search warrant and seized the "stolen" property. The suspect is now under federal indictment for charges of mail fraud and interstate transportation of stolen property.

## **Miscellaneous Insurance**

- ◆ A joint investigation of the Nassau District Attorney's Office and the IFB resulted in the arrest of eight individuals on charges that varied from insurance fraud, grand larceny, filing a false instrument, falsifying business records and scheming to defraud.
- ◆ A Far Rockaway woman was arrested for grand larceny in the fourth degree and two counts of scheme to defraud in the first degree. The suspect is alleged to have taken insurance deposits from customers and failed to remit them to the appropriate insurance companies.
- ◆ A mailroom clerk at Empire/Allcity Insurance Company and another individual were charged with bank fraud and obstruction of correspondence by the U.S. Postal Inspectors. The mailroom clerk stole incoming checks from Empire Insurance Company and was paid \$200 per check by the other individual. The checks were distributed to various outside individuals who then deposited the checks in various bank accounts. As a result of this scheme, approximately \$29,000 was stolen from the insurer. Additional arrests are expected.
- ◆ Two licensed insurance brokers collected \$90,000 in insurance premiums from insureds which they failed to remit to the appropriate insurance companies. These failures left numerous individuals without insurance. The brokers were charged with grand larceny and their licenses have been revoked by the Insurance Department.

### **D. Cooperative Enforcement Efforts**

1) The Western New York Insurance Task Force, comprised of federal, state and local law enforcement agencies, has been focusing on the insurance-related criminal conduct of a segment of a mid-eastern ethnic group that resides in Western New York State and Eastern Michigan. Members of this group have been submitting fraudulent no-fault auto accident, personal disability and hospital indemnity claims. The members have been identified and a medical provider and a participant have been arrested. The investigation is large scale and ongoing.

2) The Western District of New York Health Care Task Force is also comprised of federal, state and local law enforcement agencies. This Task Force has pooled its resources and has focused on medical doctors and certain durable medical-goods providers who treat Medicare, Medicaid and private insurance patients. Several medical providers have been investigated and arrests are expected in 1999.

3) The Central New York State Health Care Task Force, established in 1995 to investigate health care provider fraud, is comprised of federal, state and local law enforcement agencies. The Frauds Bureau participates in bi-monthly meetings with an eye toward identifying private insurance medical provider fraud, through the evaluation of trends and insurance fraud activity at both the federal and state level.

4) The Utica Arson Task Force, established in 1997 and comprised of the City of Utica as well as state and federal arson investigators, was established to combat the arson problem in the City of Utica. The Task Force has proven very successful with the arrests of more than 12 subjects in the past year. Because of the Task Force's success, its geographical area has been expanded to include the entire County of Oneida.

5) The IFB and the Workers' Compensation Inspector General have formed a team to work with various insurance carriers and self-insureds to identify individuals who defraud the workers' compensation system at all levels. The targets being investigated include claimants, insureds and medical providers. As an example of the type of results this team effort can accomplish, 18 subjects were arrested in a September 1998 upstate workers' compensation frauds sweep. It is expected that this team effort will continue and 1999 will be a continuation of this joint success.

6) As part of the ongoing cooperation between the Insurance Department and the New York State Office of Fire Prevention and Control, the First Deputy Superintendent and members of the Frauds Bureau have worked together on arson-related subjects, including training, education and updated computer indices. This cooperation will continue throughout 1999.

7) The Frauds Bureau is a founding member of the Arson Task Force which includes the New York State Office of Fire Prevention and Control (OFPC) and the U.S. Treasury Department's Alcohol, Tobacco and Firearms Bureau. As a result of the cooperation among the members, several arrests have been made involving arsons to large commercial buildings. The expertise of the members of this Task Force is available to all federal, state and local police and fire department arson agencies upon request. All requests for assistance should be made through the OFPC and should meet certain criteria.

### **E. Civil Enforcement Program**

In 1992 the Legislature enacted Section 403 of the Insurance Law which 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. Section 2133 of the Insurance Law permits 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 civil penalties give the IFB 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 a criminal case cannot be met.

In 1994, the first full year of the civil enforcement program, a total of \$184,414 in civil fines was imposed in a total of 197 cases, and \$35,039 in penalties was collected. In 1995, a total of \$1.1 in civil penalties was imposed in connection with a total of 691 cases, and \$271,563 in penalties was collected. In 1996, a total of \$993,399 in civil penalties was imposed in connection with a total of 473 cases, and \$265,009 in penalties was collected. In 1997, a total of \$564,579 in civil penalties was imposed in a total of 217 cases, and \$109,607 in penalties was collected. In 1998, a total of \$313,398 in civil penalties was imposed in a total of 118 cases, and \$93,904 in penalties was collected.

A goal of the IFB in 1999 is not only to levy fines but to place greater emphasis on collecting fines as well.

As a matter of policy, IFB's emphasis has been and will continue to be on criminal prosecutions. In 1998, we have seen a significant increase in the number of cases that state and federal prosecutors have been willing to accept. This is reflected in the significant increase in arrests reported for 1998.

However, this emphasis has impacted on the civil enforcement program. Despite recent legislation that permits the enforcement of civil penalties imposed by the Superintendent in the same manner as a civil judgment, resources have not been available to enforce the many hundreds of small penalties that have been imposed. The cost effectiveness of devoting significant resources to such small-scale collections is questionable. The IFB will continue to explore alternative collection methods. Furthermore, the IFB believes the civil enforcement program would benefit from additional staff in the Office of General Counsel to properly adjudicate a larger volume of civil penalty hearings.

#### **F. Circular Letters**

On May 14, 1998, Circular Letter No. 13 was issued to announce the installation of a dedicated fax machine in the Frauds Bureau. Insurers can now fax their required reports of suspect activity. Bureau personnel monitor this machine's output throughout the business day, eliminating mailing and handling time. The fax number is (212) 480-7148 and is continuously available. A copy of Circular Letter No. 13 is reproduced in the Appendix.

On July 1, 1998, the Insurance Department issued Circular Letter No. 14 to announce the promulgation of the Second Amendment to Regulation 95, and to disseminate a cover sheet for the transmittal of fraud plans. Companies had 120 days to either acknowledge receipt and indicate that they were not obligated to file a plan or they were required to complete the cover sheet and attach a fraud detection plan. A copy of Circular Letter No. 14 with the attachment can be found in the Appendix.

On October 31, 1998, the Insurance Department issued Circular Letter No. 32 to clarify any discrepancy relative to the effective date of the Second Amendment to Regulation 95 and Section 409 of the Insurance Law. On September 24, 1998, Governor Pataki signed legislation that amended Section 409 to become effective immediately. Prior to this legislation, Section 409 was effective upon the promulgation of a regulation by the Superintendent. That event occurred on July 1, 1998. The law and regulation require those insurers writing more than 3,000 policies of automobile, workers' compensation and group or blanket accident and health insurance to file plans for the detection of fraud and to establish a Special Investigations Unit. The timeframe for filing was 120 days from the effective date, with the Frauds Bureau approving or returning the plan within the subsequent 120 days. A copy of Circular Letter No. 32 is reproduced in the Appendix.

On December 7, 1998, the IFB issued a joint letter with the New York State Workers' Compensation Board's Inspector General's Office. The purpose of the letter was to remind all workers' compensation insurers, self-insurers and insurance associations of their obligation to report fraudulent transactions and activity. Attached to the letter were the respective reporting forms. The letter with its attachments can be found in the Appendix.

### **G. Electronic Fraud Reporting**

The IFB launched a pilot electronic fraud reporting system in May with the cooperation of GEICO and Progressive. Their combined feedback led to several system modifications. Electronic reporting allows a company to access the Bureau's computer system through the IBM Advantis Network. Once on-line, an electronic version of the required reporting form may be completed and transmitted. A log number is instantly provided for every report. Participating insurers are also able to review all their prior submissions. The Bureau anticipates expanding this pilot program in 1999.

For the upcoming year, there is a proposal pending that would upgrade the system to alert reporting insurers of prior reports on the same suspect(s). This feature is in current use for Bureau supervisors and could be expanded to participating carriers. The initial response from the industry has been enthusiastic.

### **H. 1998 Director's Award**

The Director's Award is presented every year to an individual who consistently stands out in the fight against insurance fraud. In the past, recipients have included Monroe County Prosecutor Charles Calear and Empire Blue Cross and Blue Shield's Louis Parisi. This year the honor was bestowed on Vincent P. Coyne, New York Special Investigations Unit (SIU) Manager for Progressive Insurance Company. Mr. Coyne distinguished himself by organizing a regional SIU group which meets quarterly to confront common issues. He has also been instrumental in providing assistance, equipment and support for the Bureau's undercover operations. Through his efforts, Progressive was one of the first carriers to utilize the new electronic fraud reporting system. His involvement has led to program changes that improved the system for all current and future users.

## **III. Directions for 1999**

### **A. Fraud Plan Implementation**

The challenge for 1999 will be the implementation of the fraud prevention plans and SIUs that are required under Section 409 of the Insurance Law. At this time, we have received plans from more than 300 companies and expect to receive many more. These plans have to be evaluated to determine their compliance with the law.

We expect to work with the various companies in developing their SIUs and in helping them to become an integral part of the fraud team.

There are a number of critical areas that each company will be responsible for in the continuing effort to reduce fraud. Training employees to detect and report fraud is the cornerstone of a strong anti-fraud program and the IFB will very closely review how insurers handle this issue. Getting the message out to the general public as well as their own policyholders and claimants is another important part of each plan. The Bureau will monitor the way in which each company is communicating the fraud-prevention message to ensure its effectiveness.

The quality and conduct of each SIU--whether the SIU is established by the insurer or contracted to an outside provider of such services as permitted under specific conditions by Regulation 95--is of utmost importance. It is the strength of the investigative arm of each company that will determine the company's ability to stop fraudulent acts from being committed against them. The top-level support that each SIU receives from its own firm will in many cases determine their ability to function. The Bureau will closely review the ways in which each company is providing support to its fraud unit and prioritizing that unit's efforts.

In addition to reviewing each company's plan, the Bureau has developed an end-of-year report aimed at assessing each company's SIU throughout the process. The Bureau will compare company operations to ensure they are devoting sufficient resources to their SIUs and that they are operating effectively. Bureau staff will visit each company to audit their activities and verify the information being reported in the fraud prevention plans submitted to the Department.

The Bureau has made a priority of ensuring that all the companies are fully committed to the new law in the belief that if each company seriously pursues fraud, the industry as a whole will be united in its effort to eliminate this growing problem.

## **B. Continuing Education**

In December of 1998, the IFB held the first in a series of fraud conferences for Department personnel as well as those in the industry. It was very well received and we plan to expand our schedule in 1999. The Bureau will bring together many more people from insurance companies as well as prosecutors from the various district attorneys' offices to meet with all IFB staff. The meetings will include presentations on current fraud schemes, scams and other relevant issues.

In addition, the Bureau has joined a number of insurance companies to conduct quarterly meetings to discuss mutual areas of concern. Members of the IFB attend these meetings to share information and discuss the activities of the Bureau. An open exchange of ideas is beginning to take place. Committees are being formed to work toward solutions to issues that need to be addressed if there is to be an efficient fraud investigation team. These meetings are held on a rotating basis at various insurance company offices. We anticipate not only continuing the meetings in the future but expanding participation to include more companies.

### **C. Investigations**

The Insurance Frauds Bureau is going to take a close and critical look at its own operations. One of the first things we will assess is our process for handling incoming IFB fraud reports. By streamlining the process, we hope to centralize the quality assurance aspect of the reports, thereby eliminating those reports that are lacking in substance. Bureau staff will review our case management procedures to ascertain how we can improve the investigative process of our cases. Training and adherence to revised procedures will increase staff effectiveness. The goal of the Bureau is to have timely investigations that produce strong cases for presentation to a prosecutor for criminal or civil action.

The Bureau plans to expand its sting operations to include new areas of insurance fraud. In addition to initiating our own undercover operations, we will continue to work in cooperation with local law enforcement agencies on joint endeavors.

### **IV. Legislation**

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

- Creating a class E felony for unlicensed activity by certain previously licensed individuals and entities that are no longer licensed at the time of the violation.
- Subjecting unlicensed activity to civil penalties after notice and hearing before the Insurance Department.
- Modifying the reporting date for this report (Insurance Law Section 405) from January 15 to March 15 of each year.
- Providing for automatic revocation of licenses under Article 21 of the Insurance Law for conviction of the licensee for felony larceny or felony insurance fraud.
- Requiring that life insurance policy applications include a permanent record of identification of the insured.
- Extending immunity to persons who provide assistance to the Insurance Frauds Bureau in connection with its investigations or in connection with investigations conducted jointly by the Bureau and other law enforcement agencies.
- Facilitating the collection of fraud data by providing that the Insurance Frauds Bureau shall act as the collection resource for such data.
- Increasing civil penalties for knowing possession, transfer or use of fraudulent insurance documents.

- Defining a new series of crimes relating to insurance fraud that involve false entries upon the books of account of insurers or in reports or documents submitted to regulatory officials or embezzlement from insurers, and also of new crimes involving threats or force or the use of threatening letters or communications to corruptly influence, obstruct or impede the proper administration of the Insurance Law.
- Prohibiting the participation of individuals in the insurance business 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.
- Including the Superintendent of Insurance as a member *ex-officio* of the Motor Vehicle Theft and Insurance Fraud Prevention Board and permit state agencies to be eligible for grants from the fund administered by such board.
- Amending Section 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.
- Requiring a periodic certification of continued eligibility by recipients of workers' compensation or disability benefits.
- Increasing penalties in the Vehicle and Traffic Law to reduce the number of uninsured or unlicensed motorists driving in New York.
- Requiring no-fault and workers' compensation insurers to provide explanations of benefits in response to claims filed for health care services under those programs.
- Upgrading status of Insurance Frauds Bureau's 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 surveillance and summary arrests.

## Comparative Statistics

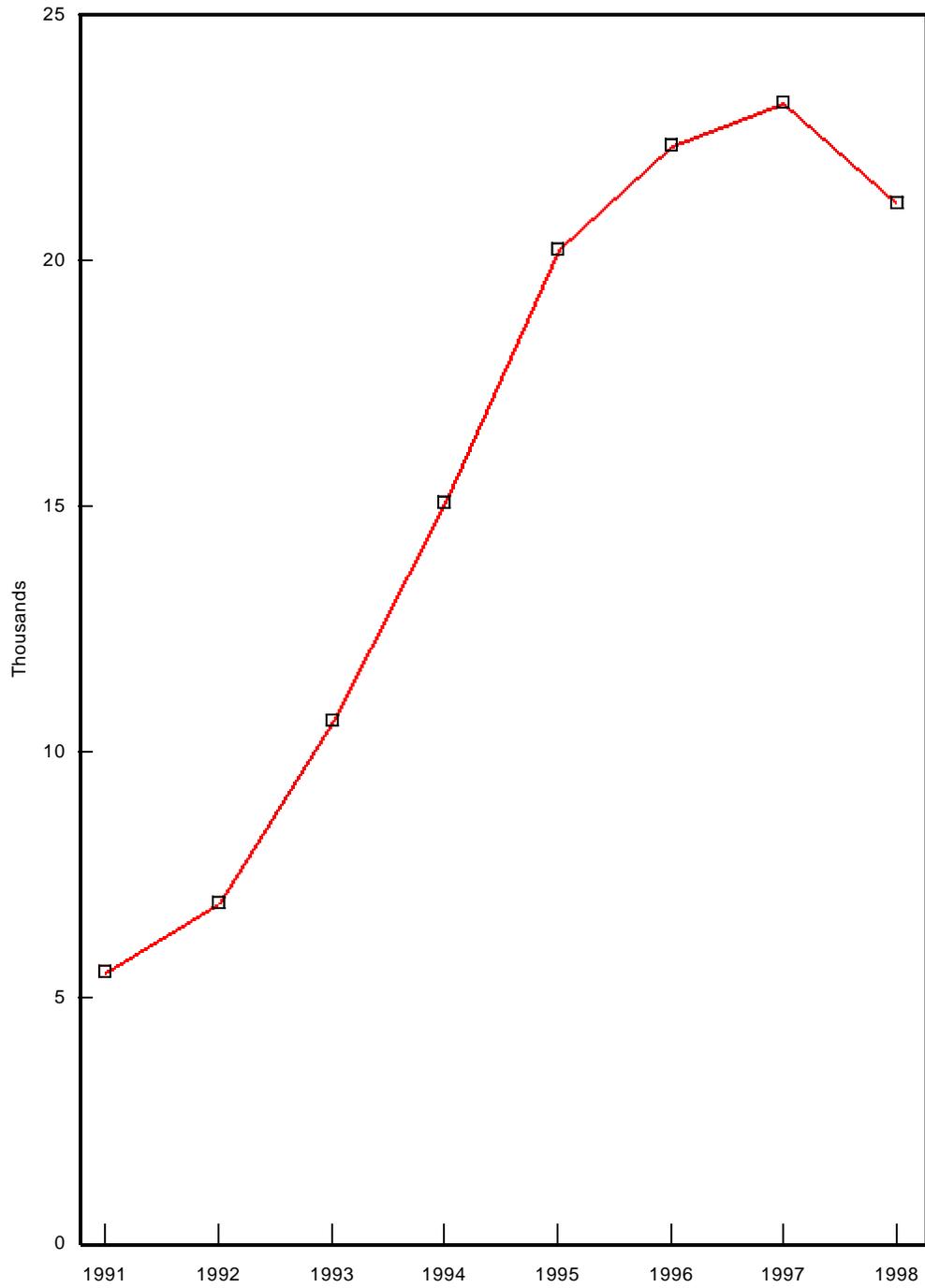
### FRAUDS REPORTS RECEIVED, BY TYPE

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Auto Theft	1,892	2,373	2,646	2,674	2,234
Auto Fire	146	165	268	253	262
Theft From Auto	222	341	165	130	119
Auto Vandalism	200	252	447	427	281
Auto Collision Damage	1,708	2,078	2,134	2,025	1,517
Auto Fraudulent Bills	49	177	43	55	45
Auto I. D. Cards	771	648	273	402	308
Auto Misc.	421	933	1,080	693	526
Fire - Residential	171	211	164	170	150
Fire - Commercial	64	52	67	49	57
Burglary - Residential	436	310	434	272	452
Burglary - Commercial	66	97	88	59	115
Homeowners	469	928	779	808	620
Larceny	180	103	206	304	67
Lost Property	58	28	21	45	59

**FRAUDS REPORTS RECEIVED, BY TYPE (Continued)**

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Robbery	34	14	26	3	11
Bonds	8	5	11	18	9
Life Insurance	36	27	32	68	66
Disability Insurance	168	41	173	91	70
Workers' Compensation	585	851	758	698	661
Health Accident Insurance	3,854	4,712	5,841	5,457	2,637
No-Fault Auto Insurance	2,891	4,393	5,214	7,042	9,659
Ocean Marine Insurance	30	35	19	49	38
Reinsurance	0	0	1	0	0
Appraisers/Adjusters	27	8	11	27	6
Agents	56	65	50	63	49
Brokers	65	74	50	55	75
Ins. Company Employees	4	2	3	14	7
Insurance Companies	2	0	9	8	2
Miscellaneous	457	549	413	520	358
Unassigned		733	917	634	710
Totals	15,070	20,205	22,343	23,113	21,170

### FRAUDS REPORTS RECEIVED 1991-1998

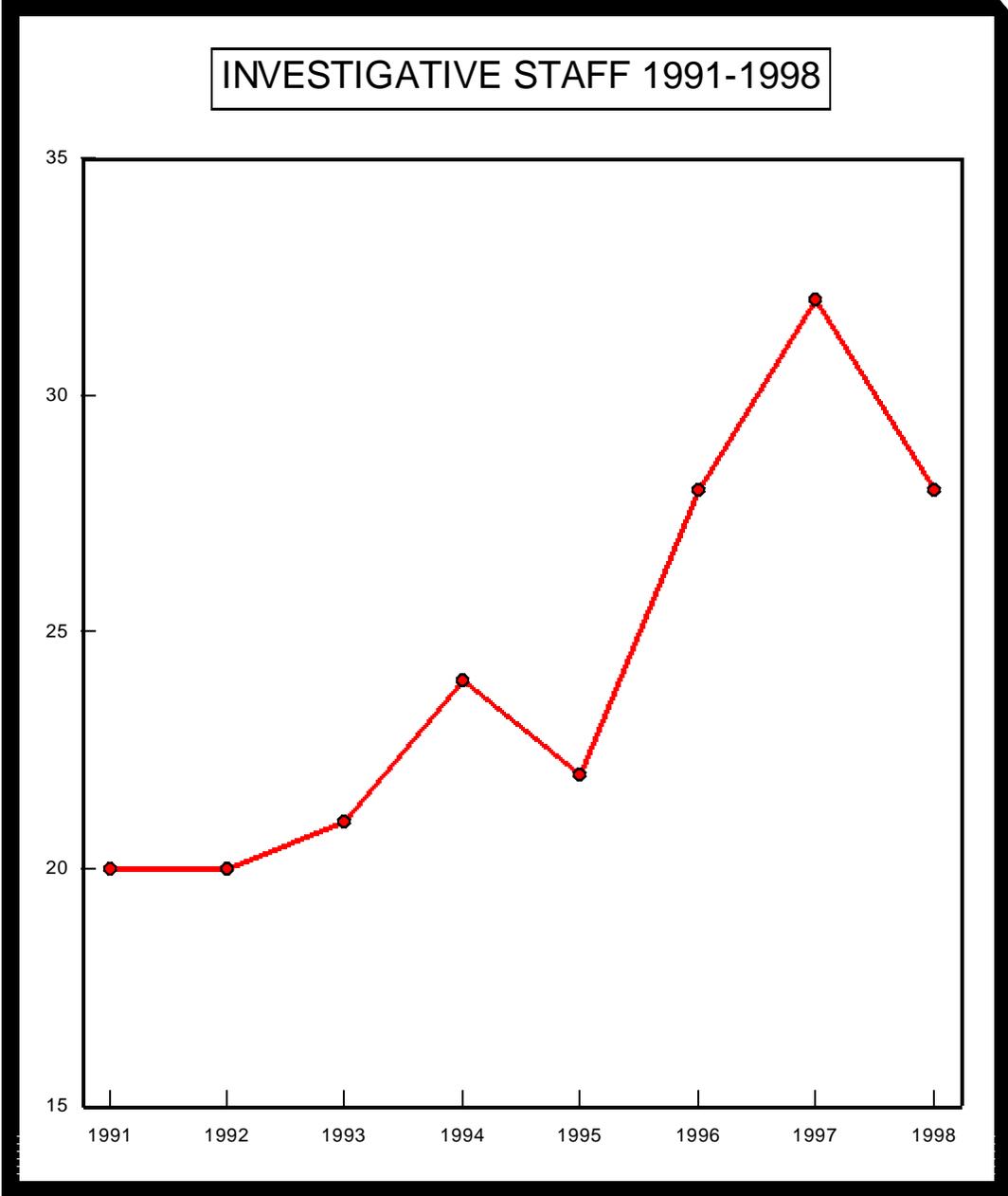


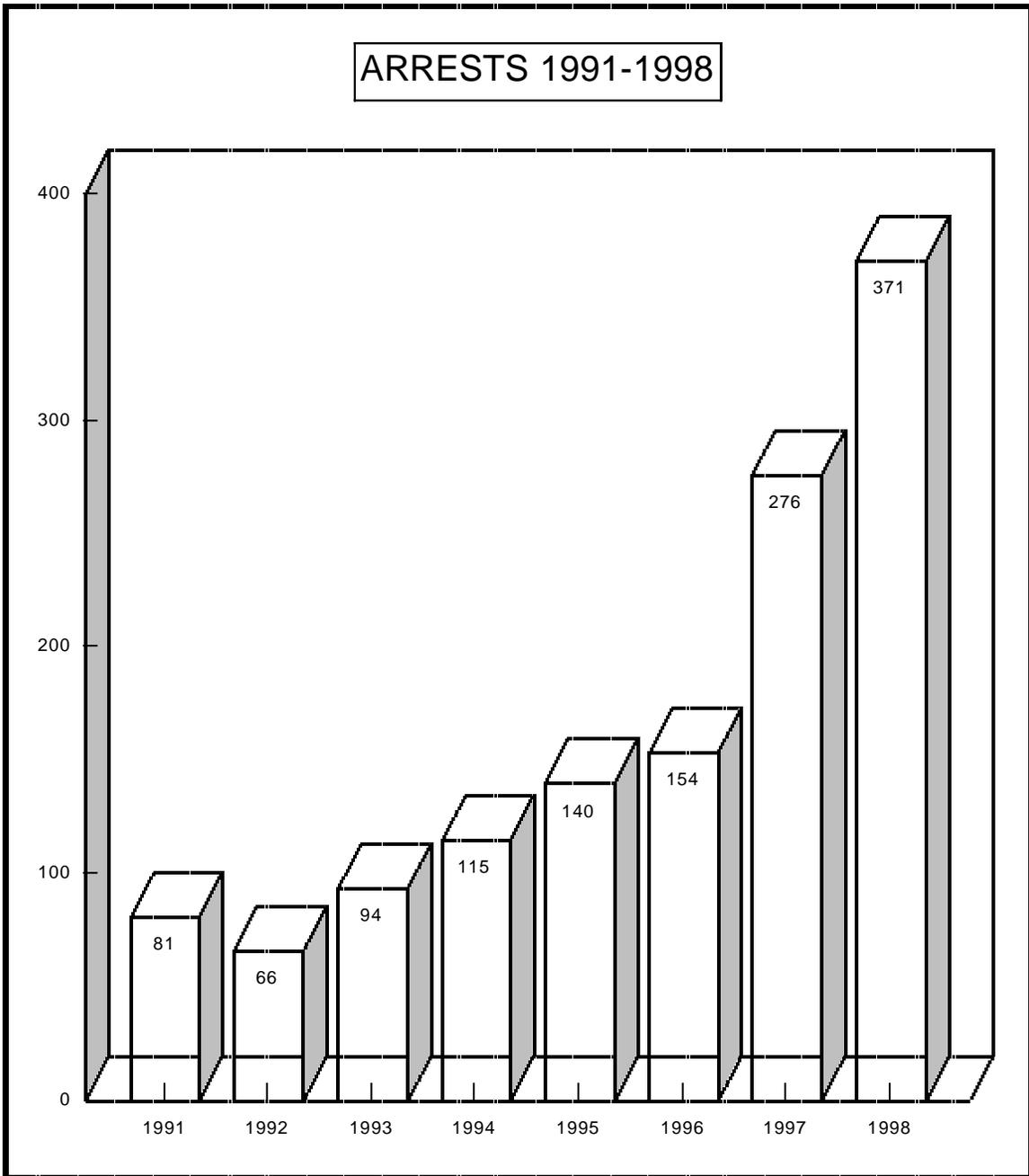
**IFB INVESTIGATIONS OPENED, BY TYPE**

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Auto Theft	140	111	112	98	77
Auto Fire	14	13	12	10	12
Theft From Auto	18	7	9	5	12
Auto Vandalism	7	5	26	25	3
Auto Collision Damage	26	38	101	96	46
Auto Fraudulent Bills	7	25	9	5	4
Auto I.D. Cards	357	349	248	336	218
Auto Misc.	39	308	318	24	76
Fire - Residential	30	28	48	53	33
Fire - Commercial	21	10	30	17	15
Burglary - Residential	42	32	25	34	15
Burglary - Commercial	11	11	15	12	9
Homeowners	23	27	48	46	27
Larceny	9	7	21	22	8
Lost Property	2	1	1	4	5
Robbery	2	2	4	0	1
Bonds	8	4	9	11	8

**IFB INVESTIGATIONS OPENED, BY TYPE (Continued)**

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Life Insurance	12	6	10	11	13
Disability Ins.	8	12	28	41	14
Workers' Compensation	56	66	105	408	415
Health Accident Insurance	364	190	462	161	97
No-Fault Auto Insurance	89	82	195	295	132
Ocean Marine Insurance	4	4	0	9	0
Reinsurance	0	0	0	0	0
Appraisers/Adjusters	14	4	8	18	3
Agents	32	30	30	26	26
Brokers	33	33	22	19	17
Ins. Company Employees	4	2	2	8	3
Insurance Companies	2	0	8	2	0
Miscellaneous	58	31	28	37	28
Totals	1,431	1,438	1,934	1,833	1,317





**CIVIL ENFORCEMENT PROGRAM**

	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Fines Proposed	\$7,206,616.05	\$1,841,349.26	\$839,559.78	\$728,275.00	\$365,070.74
Reduction After Proposal	(\$ 184,717.87)	(\$17,692.00)	0	0	0
Gross Fines Proposed	\$7,075,898.18	\$1,823,657.26	\$839,559.78	\$728,275.00	\$365,070.74
Pending Criminal	(\$5,238,700.00)	(\$1,000,700.00)	0	0	0
Net Fines Proposed	\$1,837,198.18	\$822,957.26	\$839,559.78	\$728,275.00	\$365,070.74
Settlements With IFB	\$ 35,039.00	\$ 271,563.40	\$265,009.41	\$109,607.07	\$ 93,904.12
Hearing Determinations	\$149,375.00	\$ 820,633.00	\$728,390.23	\$454,972.50	\$219,494.11
Total Fines Imposed	\$184,414.00	\$1,092,196.40	\$993,399.64	\$564,579.57	\$313,398.23
Proposals Sent By IFB	197	691	553	157	118
Settlements With IFB	29	273	375	109	44
Cases Forwarded to OGC	66	206	186	181	53
Hearings Held	6	27	98	176	67
Determinations	6	20	96	108	65
Cases Referred to AG for collection	0	14	49	69	2

## STATISTICS

### **I. REFERRALS**

TO LICENSING AGENCIES	1
LOCAL PROSECUTORS	113
ATTORNEY GENERAL	15
U.S. ATTORNEY	5

During 1998, 70 cases referred to prosecutors by the IFB were declined for prosecution. All other cases are pending.

### **II. TECHNICAL AND MONETARY CONTRIBUTIONS**

During 1998, IFB requested and received \$17,500 from various insurance companies. This money was allocated in connection with joint investigations conducted under the supervision of local District Attorneys.

### **III. CIVIL PENALTIES**

In 1998, civil penalties totaling \$300,383.23 were imposed in 54 cases under Insurance Law Section 403, and \$13,015 in 17 cases under Section 2133.

## Appendix

The following is a listing of companies that have fraud plans pending approval. The number of Special Investigations Unit (SIU) personnel assigned is that which was reported by the company. Some companies did not report the number of personnel, and that column is left blank.

<u>Company</u>	<u>Number of SIU Personnel</u>
Acceptance Insurance Companies	
Acceptance Indemnity Company	
Acceptance Casualty Ins Co	
American Growers Ins Co	
Phoenix Indemnity Ins Co	
Redland Ins Co	
Aetna U.S. Healthcare	
Aetna Life Ins Co	
Corporate Health Administrators	
NY Life & Health Ins Co	
NYLCare Health Plans of NY	
AFLAC	1
Agency Ins Co	
Agway Insurance Company	
AIG Claim Service	20 for 262,417 policies
All America Ins Co	
Allmerica Financial Life Ins & Annuity	
Allmerica Financial Alliance Ins Co	
First Allmerica Financial Life Ins	
Citizens Ins Co	
Hanover Insurance Co	
Massachusetts Bay Ins Co	
Allstate Life Ins. Co of New York	
Amalgamated Life Ins Co	

<u>Company</u>	<u>Number of SIU Personnel</u>
American Bankers Insurance Company American Reliable Insurance Company Bankers American Life Assurance Co.	7
American Empire Insurance Co.	
American Transit Insurance Company	5
Ameritas Life Insurance	8
Amica Life Ins Co	
AMICA Mutual Insurance Company	7
Amwest Surety Insurance Company	
Assurance Company of America	
Atlantic Mutual Companies	1.9 per 30,000 policies
AUSA Life Insurance Company	
Blue Cross/Blue Shield of Central New York	4
Blue Cross/Blue Shield of Utica-Watertown	1
Blue Cross/Blue Shield of Western New York	0.32 per 30,000 policies
Blue Ridge Insurance Republic Insurance Company Vanguard Insurance Company	3 per 48,400 policies
Canada Life Ins Co of NY	
Centennial Ins Co	
Central Mutual Ins Co	
Central States Indemnity Co of Omaha	
CGU Insurance American Central Insurance Company American Employers' Insurance Compan Commercial Union Insurance Company Commercial Union Midwest Insurance Company GA Insurance Company of New York (Domicile)	

<u>Company</u>	<u>Number of SIU Personnel</u>
General Accident Insurance Company of America	
General Assurance Company (Domicile)	
Pennsylvania General Insurance Company	
PG Insurance Company of New York (Domicile)	
Potomac Insurance Company of Illinois	
The Camden Fire Insurance Association	
The Employers' Fire Insurance Company	
The Northern Assurance Company of America	
Chubb Group of Insurance Companies	0.4 per 30,000 policies
Chubb Indemnity Insurance Company	
Chubb National Insurance Company	
Federal Insurance Company	
Great Northern Insurance Company	
Pacific Indemnity Insurance Company	
Samsung fire & Marine Insurance Company	
Vigilant Insurance Company	
CIGNA Life Ins Co	
Connecticut General Life Ins Co	
Healthsource Ins Co	
Healthsource HMO of NY	
CIM Insurance Corp	
Cincinnati Companies	6 for all states
Clarendon Ins Group	
Colonial Indemnity Insurance Company	
Colonial Penn Insurance Company	3 per 83,781 policies
Colonial Penn Franklin Ins Co	
Bay Colony Ins	
Colonial Penn Madison Ins Co	
Combined Life Ins Co of NY	
Commercial Travelers Mutual Ins Co	
Commercial Mutual Ins Co	
Commercial Union Life Insurance Co.	1 per 7,879 policies

**Company**

**Number of SIU Personnel**

CNA Companies

American Casualty Co. of Reading, PA  
Boston Old Colony Ins Co  
Buckeye Union Ins Co  
Commercial ins Co of Newark, NJ  
Continental Assurance Co  
Continental Casualty Co.  
Continental Ins Co  
Continental Reinsurancs Corp  
Fidelity & Casualty Co of NY  
Fireman Ins Co of Newark NJ  
Glens Falls Ins Co  
Kansas City fire & Marine Ins Co  
National Ben Franklin Ins Co of Illinons  
National Fire Insurance Co. of Hartford  
Niagara Fire Ins co  
Pacific Ins Co  
Transcontinental Insurance Co.  
Transportation Insurance Co.  
Valley Forge Insurance Co.

Crum & Forster Insurance

Crum & Forster Indemnity  
Crum & Forster Underwriters of Ohio  
United States Fire Ins Co  
US Fire Insurance Co.  
North River Insurance Co.  
Dairy Land Insurance Co.

CUNA Mutual Ins Society

CUNA Mutual Life Insurance Company

2

Electric Insurance Company

1 for less than 30,000 policies

Empire Blue Cross/Blue Shield

0.4 per 30,000 policies

Empire Insurance Group

3 per 225,000 policies

Allcity Insurance Co.

Centurion Insurance

Employers Insurance of Wausau & WUI

Equitable Life Assurance Society of the US

4

Equitable of Colorado

<u>Company</u>	<u>Number of SIU Personnel</u>
Erie Insurance Co of NY	
Erie Insurance Group	1
Erie Insurance Company	
Erie Insurance of New York	
Farm Family Insurance Companies	1
Farm Family Casualty Insurance Co.	
United Farm Family Insurance Co.	
Farm Family Life Insurance Co.	
FICO Ins Co	
Finger Lakes Health Ins. Co	
Finger Lakes Long Term Care Ins Co	
Finger Lakes Medical Ins.Co	
First Ameritas Life	
First ING Life Ins Co of NY	
The First Rehabilitation Life Ins Co of America	
Fireman's Fund	5
Fireman's Fund Insurance Co.	
The American Insurance. Co.	
National Surety Corporation	
Associated Indemnity Corp.	
American Automobile Insurance Co.	
Fireman's Fund Insurance Co. of Wisconsin	
John Hancock Property & Casualty	
Gerber Life Insurance Company	0.13 per 30,000 policies
Great American Insurance Companies	5
Great American Ins Group	
Agricultural Excess & Surplus Ins Co	
Agricultural Ins Co	
American Alliance Ins Co	
American Dynasty Surplus Lines Ins Co	
American Empire Ins Co	
American Empire Surplus Line Ins Co	
American National Fire Ins Co	

<u>Company</u>	<u>Number of SIU Personnel</u>
American Spirit Ins Co	
Contemporary American Ins Co	
Eagle American Ins Co	
Seven Hills Ins Co	
Great West Life & Annuity Ins Co	
Greenwich Ins Co	
Group Health Incorporated	8 for 1,040,583 subscribers
The Guardian Life Ins of America	
The Harleysville Insurance Group	8
Great Oaks Insurance Company	
Harleysville Garden State Insurance Company	
Harleysville Insurance Company of New Jersey	
Harleysville Life Insurance Company	
Harleysville Mutual Insurance Company	
Harleysville-Atlantic Insurance Company	
Huron Insurance Company	
Lake States Insurance Company	
Mainland Insurance Company	
Mid-America Insurance Company	
Minnesota Fire and Casualty Company	
New York Casualty Insurance Company	
Pennland Insurance Company	
Pennsylvania Insurance	
Health Insurance Plan of Greater New York (HIP)	1
Highlands Insurance Group	2 per 30,000 policies
Highlands Insurance Company	
Highlands Underwriters Insurance Company	
Highlands Casualty Co.	
Aberdeen Insurance Co.	
Highlands Lloyds	
INA Life Insurance Co. of New York	1
The Infinity Group	
JC Penney Life Insurance Company	
JC Penney Casualty Ins Co	

<u>Company</u>	<u>Number of SIU Personnel</u>
John Deere Insurance Company	1
John Hancock Mutual Life Ins. Co.	1.4 per 30,000 policies
Kaiser Permanente Northeast Division	
Kemper National Insurance Companies	3
Lumbermens Mutual Casualty Company	
American Motorist Insurance Company	
American Manufacturers Mutual Insurance Company	
American Protection Insurance Company	
Lancer Ins Co	
Liberty Mutual Insurance Group	9 per 379,444 policies
Lion Insurance Company	6 per 30,000 policies
Main Street America Assurance Co	
Maryland Casualty Co	
Maryland Insurance Group	1 per 30,000 policies
Assurance Company of America	
Maryland Insurance Company	
Material Damage Adj. Co	
Merchant & Business Men's Mutual Ins	
Merchant Insurance Group	1
MetLife	15
Metropolitan Property and Casualty Insurance Co.	4 per 30,000 policies
Metropolitan Casualty Insurance Co.	
Metropolitan General Insurance	
Metropolitan Group P/C Insurance Co	
MIC Life Insurance Corp	
MIC Property & Casualty Corp	
Michigan Millers	
Michigan Millers Mutual Insurance Company	1

<u>Company</u>	<u>Number of SIU Personnel</u>
Motors Insurance Co.	3
National Benefit Life Insurance Company	
National General Insurance Co.	
National Grange Mutual Insurance Co.	5
Nationwide	
Nationwide Indemnity Ins Co	
Nationwide Mutual Ins Co	
Nationwide Property & Casualty Ins Co	
Nationwide Ins Co of America	
Nationwide Life Ins Co	
Wausau Business Ins Co	
Wausau General Ins Co	
Wausau Preferred Health	
Wausau Underwriter Ins Co	
Colonial County Mutual	
Employers Ins of Wausau, A Mutual Company	
Netherlands Insurance Companies	0.25 per 30,000 policies
Atlas Insurance Co	
Excelsior Insurance Company	
First of Georgia Insurance Company	
Indiana Insurance Company	
Peerless Insurance Company	
The Netherlands Insurance Company	
New York Care Plus Ins Co	
New York Life	26
Northern Ins Co	
Northstar Life	
The Northwestern Mutual Life Ins Co	
NOVA Casualty Company	
Oxford Health Plans	9

<u>Company</u>	<u>Number of SIU Personnel</u>
Paramount Ins Co	
Paul Revere Life Insurance Company Paul Revere Protective Life Insurance Company Provident Life & Accident Insurance Co.	9
Peerless Insurance Company	
Phoenix Home Life Mutual Insurance Company	8
Preferred Care Inc	
Preferred Mutual	2
The Principal Group	33
Progressive Progressive Casualty Ins Co Progressive Specialty Ins Co Progressive Northern Ins Co Progressive Northwestern Ins Co Progressive Northeastern Ins Co United Financial Casualty Co National Continental Ins Co	1.8 per 30,000 policies
Provident Companies Inc Provident Life & Accident Provident Life & Casualty Provident National Assurance Paul Revere Variable Annuity Paul Revere Life Ins. Paul Revere Protective Life Ins.	
Provident Mutual Life Insurance Company	
Providian Auto & Home Ins	
The Prudential Insurance Company of America	
Prudential P & C Insurance Company	3 in New York State
PSM	1
Reliance Insurance Company	4

<u>Company</u>	<u>Number of SIU Personnel</u>
Reliastar Banker Security Life Ins Co.	
Republic Insurance	5 per 30,000 policies
Republic Insurance Company	
Blue Ridge Insurance Company	
Vanguard Insurance Company	
Robert Plan of New York Corp.	5.4 per 30,000 policies
Eagle Insurance Company	
Lion Insurance Company	
Executive Insurance Co.	
Royal & Sun Alliance, USA	
Alliance Assurance Co of America	
American & Foreign Ins Co	
Globe Indemnity Co	
London Assurance of America	
Marine Indemnity Ins Co of America	
Phoenix Assurance of NY	
Royal Indemnity Co	
Royal Ins Co of America	
Safeguard Ins Co	
Sea Ins Co of America	
Sun Ins Co of America	
Royal Insurance Companies	8
Newark Insurance Co.	
SAFECO Insurance Companies	4
Safeco Insurance Company of America	
Safeco Life Insurance Company	
General Insurance Company of America	
First National Insurance Co. of America	
Safeco National Insurance Company	
Safeco National Life Insurance Co.	
Safeco Insurance Co. of Illinois	
American States Insurance Company	
American Economy Insurance Company	
American States Insurance Company of Texas	
American States Preferred Insurance Company	
American States Life Insurance Company	
Security Mutual Life Ins Co of NY	
Selective Insurance	1 per 30,000 policies

<u>Company</u>	<u>Number of SIU Personnel</u>
Sentry Insurance	6
Sons of Norway	
Standard Security Life Ins Co of NY	
State Insurance Fund	1.1 per 30,000 policies
Sterling Insurance Co	
St Paul Fire & Marine Ins Co	
St Paul Guardian Ins Co	
St Paul Mercury Ins Co	
Athena Assurance Co	
St Paul Medical Liability Ins Co	
Seaboard Surety Co	
Northbrook Indemnity Co	
Northbrook National Ins Co	
Northbrook P & C Ins Co	
United State Fidelity & Guaranty Ins Co	
Fidelity & Guaranty Ins Co	
Fidelity & Guaranty Ins Underwriters Co	
Victoria Fire & Casualty Co	
Victoria Select Ins Co	
Titan Insurance Company	
Teachers Ins & Annuity Assoc	
Tokio Marine Management Inc.	
Trans Pacific Ins Co	
The Travelers Indemnity Company	
The Charter Oak Fire Ins Co	
The Phoenix Ins Co	
The Travelers Indemnity Co of CT	
The Travelers Indemnity Co of America	
The Travelers Indemnity Co of Illinois	
The Nippon Fire & Marine Ins Co	
The Travelers Home & Marine Ins Co	
Travco Ins Co	
Travelers Casualty & surety Co	
The Standard Fire Ins Co	
The Automobile Ins co of hartford	
Travelers Casualty & surety Co of Illinois	

<u>Company</u>	<u>Number of SIU Personnel</u>
Farmington Casualty Co	
Travelers Casualty & surety Co of America	
Travelers Commercial Ins Co	
Travelers Casualty Co of CT	
Travelers Property casualty Ins Co	
Travelers Ins Co	
Gulf Ins Co	
Trustmark Insurance Company	8
Benefit Trust Life Insurance Co.	
Infotrust Integrated Healthcare Solutions	
Unigard Insurance Group	4
Unigard Security	
Unigard	
Unigard Indemnity	
Unigard Service Corp.	
United Health Care	
United Healthcare of NY	
United Healthcare of Upstate NY	
United Healthcare Service Corp Ins. Co.	2 for 3,573 policies
United States Life Insurance Co.	1
US Fidelity & Guaranty Company	4
USAA Life Insurance Co.	2
USAA P & C Insurance Company	2 per 30,000 policies
Utica National Insurance Group	4
Utica Mutual Ins Co	
Graphic Art Mutual Ins Co	
Republic-Franklin Ins Co	
Utica National Ins Co of Texas	
Legion Insurance Co	
Valiant Ins Co	
William H. McGee & Co. Inc.	2
Marine Indemnity Insurance Company of America	
Phoenix Assurance Co. of New York	

<u>Company</u>	<u>Number of SIU Personnel</u>
Windsor Group	3
American Deposit Insurance Co.	
Coventry Insurance Company	
Regal Insurance Company	
Windsor Insurance Company	
Moore Group Inc.	
Worcester Insurance Company	3
Berkshire Mutual	
Zurich American Insurance Group	6
American Guarantee & Liability	
American Zurich Insurance	
Zurich Insurance Company	
Zurich American of Illinois	

The following is a listing of companies that previously reported having a Special Investigations Unit, but have not yet filed a plan. The number of SIU personnel assigned is that which was reported by the company. Some companies did not report the number of personnel assigned, and that column is left blank.

<u>Company</u>	<u>Number of SIU Personnel</u>
Acceleration National Insurance Company	1 per 2,200 policies
ACSTAR Insurance Company	1 per 425 policies
Aetna Casualty & Surety	1 per 25,000 policies
Aid Association for Lutherans	3-4
Alliance Life Insurance Company of North America	4
Allianz Insurance Company	
Allstate Insurance Company	2.2 per 30,000 policies (35)
American Foundation Life Insurance	9
American General Life Insurance Company	5
American International Insurance Group American International Insurance Co. Nichido Fire & Marine Union & Phoenix AIU Insurance Company Abielle Granite State Insurance Co. New Hampshire Insurance Co. Illinois National Insurance Co. National Union Fire Insurance Co. The Ins. Co. for the State of Pennsylvania American Home Assurance Company Birmingham Fire Insurance Company Commerce & Industry Insurance Co.	15 for 30,000 policies
American Modern Home Insurance	2 for 30,000 policies
American Progressive Life & Health Ins Co. of NY	7
American Road Insurance Group	4.7 per 30,000 polices
American Security Group	

<u>Company</u>	<u>Number of SIU Personnel</u>
American States Insurance Companies	22
American States Insurance Company	
American Economy Insurance Company	
American States Life Insurance Co.	
American States Ins. Co. of Texas	
American States Preferred Ins. Co.	
American States Lloyds Insurance Co.	
Amerisure Companies	6
Michigan Mutual Insurance Company	
Amerisure Inc.	
Amerisure Insurance Company	
Anthem Health & Life Insurance Co. of N.Y.	4
Arista Insurance Company	4 per 31,000 policies
Atlanta Casualty Companies	5
Atlantic Alliance Fidelity & Surety Co.	3
Bankers & Shippers Insurance Co.	
Bankers Insurance Group	4
First Community Insurance Co.	
Bankers Multiple Line Insurance Company	
Beneficial Insurance Group Inc.	
Blue Cross/Blue Shield of Central New York	0.5 per 30,000 contracts
Business Men's Assurance Co. of America	0.12 per 30,000 policies
California Indemnity Insurance Co.	
Calvert Insurance Company	
Carolina Casualty Insurance Company	part-time
Casualty Insurance Co.	
Central States Indemnity	1
Chiyoda Fire & Marine	provided by CNA

<u>Company</u>	<u>Number of SIU Personnel</u>
Chrysler Insurance	
Chubb Life America	2 per 30,000 policies
Chubb Life Ins. Co. of America	
Colonial Life Ins. of America	
Chubb Sovereign Life Insurance Co.	
CIGNA Property & Casualty Companies	4
Citicorp	
Columbian Mutual Life Ins. Co.	
Commercial Travelers	
Country-Wide Insurance Co.	4 per 30,000 policies
Donegal Companies	
EMC Insurance Companies	4
Empire Fire and Indemnity Insurance Co.	
Empire Indemnity Insurance Co.	
Empire Fire and Marine Insurance Co.	2
Employers General Insurance Group Inc.	
Equitable Variable Life	
Everest National Insurance Company	
Excelsior Claims Admin.	
Exchange Insurance Co.	
Executive Risk Indemnity Inc.	1
Factory Mutual Engineering Corporation	6
Farmers Insurance Group	staff based on volume of claims
Truck Insurance Exchange	
Fire Insurance Exchange	
Mid-Century Insurance Company	
Federated Insurance	1
Federated Mutual Insurance Co.	
Federated Life Insurance Co.	
Federated Service Insurance Co.	

<u>Company</u>	<u>Number of SIU Personnel</u>
First Central National Life Insurance Company	
First Cova Life Insurance Company	
First Reliance Standard Life Insurance Company First Sun America Life Insurance Co.	4
First UNUM Life Insurance Company	1 per 30,000 policies
Foremost Insurance Group	
Fremont Comp. Pacific Compensation Insurance Beaver Insurance Company Fremont Indemnity Company Comstock Insurance Company	5 per 18,000 policies
Frontier Insurance Company	1
GAN North America Insurance Co.	
GEICO	1.3 per 30,000 policies
General Casualty Company	1
General Star National Insurance Company	
Genesis Insurance Company	
GRE Insurance Group	
Great Divide Insurance Co.	1 per 30,000 policies
Greater New York Mutual Insurance Company Insurance Company of Greater New York	1 for less than 30,000 policies
Guaranty National Companies	12
The Guardian Life Insurance Company of America	1 per 30,000 policies
Hanover Insurance Company	4
Hartford Financial Service Group	
Health Resources	4 per 2,000 policies

<u>Company</u>	<u>Number of SIU Personnel</u>
Home Insurance Company	1.6 per 30,000 policies
Home Indemnity Company	
City Insurance Company	
Home State Holdings Inc.	1 with outside vendors
New York Merchant Bakers Insurance Company	
Home Mutual Insurance Company	
Indiana Insurance Company	
Industrial Indemnity	5
Integon Insurance Company	1 per office
Interboro Mutual Indemnity Insurance Company	4
International Insurance Company	
Jefferson Insurance Group	
Loyal Christian Benefit Assoc.	
Lloyd's of London	
Lumber Insurance Companies	
Lutheran Brotherhood	
Mass Mutual	5
MML Bay State Life	
MML Pension Insurance	
Massachusetts Casualty Insurance	1
Monarch Life Insurance Company	4
Monitor Life Insurance Co. of N.Y.	1
Motorist Mutual Insurance Company	
The American Hardware Insurance Group	
Mutual Life Insurance Company of New York	
Mutual of Omaha Companies	10.4 per 30,000 policies
Omaha Property & Casualty Insurance Co.	

<u>Company</u>	<u>Number of SIU Personnel</u>
Mutual Service Insurance Companies	
National American Insurance Company	1 per 30,000 policies
National Casualty	
National Indemnity Company	
National Life of Vermont	7
Navigators Insurance Company	3 per 3,158 policies
New England Insurance & Inv.	0.15 per 30,000 policies
New Jersey Manufacturers Insurance Company	26
Nippon Life Insurance Company of America	10
Nordstern	2
North American Company	2
North Atlantic Life	
North Country Insurance Company	1 per 30,000 policies
Northland Insurance Company	2
Northland Casualty Company	
Northfield Insurance Company	
Mendota Insurance Company	
Northwestern National Life Insurance Company	7 for groups covering 365,000 policies
Northwestern Mutual Life Insurance Company	
Occidental Fire & Casualty Company of North Carolina	5
Ohio Indemnity Insurance Co.	
Orion Capital Companies	
Penn Mutual Life Insurance Company	0.48 per 30,000 policies
Penn National Insurance	3

<u>Company</u>	<u>Number of SIU Personnel</u>
Pennsylvania Manufacturers	2
Physicians Health Services	0.94 per 30,000 policies
Physicians Mutual Insurance Company Physicians Life Insurance Company	1 per 250,000 policies
Pioneer Claim Management Inc.	
PMA Group	2
Pennsylvania Manufacturers Indemnity Manufacturers Alliance Insurance Company	
PMI Mortgage Insurance Company	5
Preferred Risk Group	6
Preferred Risk Mutual Insurance Company Preferred Risk Life Insurance Company Midwest Mutual Insurance Company Preferred Abstainers Insurance Company Preferred Rick Lloyd Insurance Company Answar America	
Presidential Life Insurance Company	
Protective Life Corporation	0.13 per 30,000 policies
Providian Life & Health Insurance	1 per 30,000 policies
Quincy Mutual Fire Insurance Company	1 per 30,000 policies
Ranger Insurance Company	
Resource Life Insurance Company	
Security Equity Life Insurance Company	1 per 30,000 policies
South Carolina Insurance Co.	1
Star Insurance Co.	
State Farm Insurance Companies	77
State Mutual Life Assurance Company	4
Sumitomo Marine Management	

<u>Company</u>	<u>Number of SIU Personnel</u>
Sun Alliance, USA	
TIG Insurance	6
Transamerica Insurance Group	8 claim representatives one unit manager
Ulico Insurance Group	
Union Central Life Insurance Company	2
Unity Mutual Life Insurance Company	7
Universal Underwriters Group	
Washington International Insurance Co.	0.60 per 30,000 policies
Wesco Insurance Company	
Western Surety Company	
Western World Insurance Group	
Westfield Companies	8
Ohio Farmers Insurance Co.	
Marine Indemnity Ins. Co. of America	
Westfield National Insurance Co.	
Westfield Life Insurance Company	
Westport Insurance Corporation	
William H. McGee & Co. Inc.	2
The Baloise Insurance Co. of America	
Lucky Insurance Company Ltd.	
Women's Life Insurance Society	1 per 35,000 policies
Worldwide Insurance Group	1 for less than 30,000 policies
Capital Enterprise Insurance Co.	
Worldwide Underwriters Insurance Co.	
Force Financial	

**INSURANCE FRAUDS BUREAU STAFF**  
**December 31, 1998**

**NEW YORK CITY OFFICE**

Director

Assistant Director

Principal Investigator

4 Associate Investigators

6 Senior Investigators

6 Investigators

Principal Insurance Examiner

Senior Insurance Examiner

2 Insurance Examiners

Secretary I

6 Keyboard Specialists

**ALBANY OFFICE**

2 Investigators

Insurance Examiner

**BUFFALO OFFICE**

Chief Investigator

Senior Investigator

Investigator

**ROCHESTER OFFICE**

Senior Investigator

**SYRACUSE OFFICE**

Associate Investigator

Investigator

**ONEONTA OFFICE**

Senior Investigator

**MINEOLA OFFICE**

Associate Investigator

4 Senior Investigators

5 Investigators

**INSURANCE FRAUDS BUREAU OFFICES**

**NEW YORK CITY OFFICE**

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

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**ALBANY OFFICE**

Agency Building 1  
The Gov. Nelson A. Rockefeller  
Empire State Plaza  
Albany, NY 12257  
(518) 474-2632  
Fax (518) 473-0369

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**BUFFALO OFFICE**

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

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**ROCHESTER OFFICE**

189 North Water Street  
Rochester, NY 14604  
(716) 325-1857  
Fax (716) 325-1857

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**SYRACUSE OFFICE**

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

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**ONEONTA OFFICE**

RD4 Box 51B, Upper West Street  
Oneonta, NY 13820  
(607) 433-0108  
Fax (607) 433-028

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**MINEOLA OFFICE**

200 Old Country Road  
Suite 340  
Mineola, NY 11501  
(516) 248-5870  
Fax (516) 248-5727



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

**Circular Letter No. 13  
May 14, 1998**

**TO: All Insurers and Self Insurers**

**RE: Fraud Reporting and Cooperation with the Insurance Frauds Bureau**

Effective immediately, mandatory reports of suspected insurance fraud filed pursuant to Section 405 of the Insurance Law (Form IFB-1) may be faxed to the Insurance Frauds Bureau's newly installed dedicated fax machine. The number is:

(212) 480-7148.

Receipt of this circular letter must be acknowledged to the Department, in writing, within ten business days, by the individual responsible for fraud investigations and reporting. If necessary, this letter should be routed so that the appropriate individual may acknowledge it. Please fax to the above number or mail your acknowledgment to Principal Examiner Rolf Kaumann, NYS Insurance Frauds Bureau, 25 Beaver Street, New York, N.Y. 10004.

Very truly yours,

Mark Gardner  
Deputy Superintendent  
Insurance Frauds Bureau

**To report suspected insurance fraud, call the NYS Insurance Department's Hotline at 888-FRAUD-NY**



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

**Circular Letter No. 14**  
**July 1, 1998**

**TO: All Insurers Writing Private or Commercial Automobile, Workers Compensation, or Individual, Group or Blanket Accident and Health Insurance Policies.**

**RE: Compliance With The Second Amendment to Regulation 95 (11 NYCRR 86) and Filing of Plans for the Detection, Investigation and Prevention of Fraudulent Insurance Activities.**

Effective July 1, 1998 the Superintendent has promulgated the second amendment to Regulation 95 (11 NYCRR 86). This amendment, published in the State Register on May 20, 1998 implements Section 409 of the New York Insurance Law.

All insurers writing private or commercial automobile, workers compensation or individual group or accident and health insurance policies are requested to complete the attached form and return it with a complete fraud detection plan, within 120 days of the amended regulation's effective date, to Principal Examiner Rolf Kaumann, NYS Insurance Frauds Bureau, 25 Beaver Street, Room 542, New York, NY 10004.

Very truly yours,

Charles D. DeRienzo  
Director  
Insurance Frauds Bureau

**To report suspected insurance fraud, call the NYS Insurance Department's Hotline at 888-FRAUD-NY**



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

**Circular Letter No. 32**  
**October 30, 1998**

**TO: All Insurers Writing Private or Commercial Automobile, Workers Compensation, or Individual, Group or Blanket Accident and Health Insurance Policies, and every entity licensed pursuant to Article 44 of the Public Health Law**

**RE: Effective Date for the Filing of Plans for the Detection, Investigation and Prevention of Fraudulent Insurance Activities**

Chapter 2 of the Laws of 1998, which was signed by Governor Pataki on September 24, 1998, amends the effective date provision contained in Section 409 of the Insurance Law. Because the new effective date provision conflicts with the provisions of Regulation 95 (promulgated with an effective date of July 1, 1998) relating to the filing of insurance fraud prevention plans, all such plans filed with the Insurance Frauds Bureau prior to September 24, 1998 will be deemed to have been received on that date. The provisions of Regulation 95 concerning the processing of such plans by the Insurance Frauds Bureau will be determined from September 24, 1998. The 120 day period within which to file such plans will also be determined from September 24, 1998.

It is requested that the attached cover sheet be completed and returned with all fraud detection plans, to Principal Examiner Rolf Kaumann, NYS Insurance Frauds Bureau, 25 Beaver Street, Room 542, New York, NY 10004.

Very truly yours,

Charles D. DeRienzo  
Director  
Insurance Frauds Bureau

**To report suspected insurance fraud, call the NYS Insurance Department's Hotline at 888-FRAUD-NY**

**Fraud Prevention Plan Transmittal Letter**

Name of insurer: \_\_\_\_\_ Representative's name : \_\_\_\_\_  
Address : \_\_\_\_\_ Address : \_\_\_\_\_  
Telephone and Fax : \_\_\_\_\_ Telephone : \_\_\_\_\_  
NAIC Number: \_\_\_\_\_ E-Mail: \_\_\_\_\_

**Answer each question on the form with a yes or no and in addition place a page number in the space provided where the required information can be found in your plan. If your plans pages are not numbered then tab your plan to indicate where the required information can be found.**

I. a. Does the insurer write more than three thousand private or commercial automobile, workers' compensation or individual, group or blanket accident and health insurance policies in New York State annually?  Yes  No Pg# \_\_\_\_\_

b. Is this entity licensed pursuant to article forty - four of the public health law, (except entities licensed pursuant to sections 4403(a), 4403(c), 4400(d), 4403(f), or 4408(a) of the public health law) with an enrolled population of 60,000 or more persons in the aggregate?  Yes  No Pg# \_\_\_\_\_

If yes to (a) or (b) above complete this form, attach a plan for the detection, investigation and prevention of fraudulent insurance activities in New York State and return it as indicated in Circular Letter #32.

If no, sign and date this form and return it as indicated in Circular Letter #32.

II. Does the plan provide a time and manner for implementation?  Yes  No Pg# \_\_\_\_\_  
Date of implementation \_\_\_\_\_

III. 1. Is there a provision for a full-time Special Investigations Unit with detailed staffing levels?  Yes  No Pg# \_\_\_\_\_  
a. If yes, is the unit separate from the underwriting or claims functions?  Yes  No Pg# \_\_\_\_\_  
b. Does the plan provide a description of the SIU including organizational chart?  Yes  No Pg# \_\_\_\_\_  
c. Does the plan provide for support staff and other physical resources?  Yes  No Pg# \_\_\_\_\_

IV. In lieu of a Special Investigations Unit does the insurer contract with a provider of services related to the investigation of information on or cases of suspected fraudulent activities?  Yes  No Pg# \_\_\_\_\_

V. Do all persons designated as Special Investigations Unit members, or contractors, satisfy the Regulation's education and experience requirements?  Yes  No Pg# \_\_\_\_\_

VI. Does the plan provide for the following:

1. Staffing and resource rational ?  Yes  No Pg# \_\_\_\_\_
2. Interface of Special Investigations Unit personnel with law enforcement and prosecutorial agencies?  Yes  No Pg# \_\_\_\_\_
3. In-service education and training for underwriting and claims personnel?  Yes  No Pg# \_\_\_\_\_
4. Coordination with other units of the insurer for the investigation and initiation of civil actions based upon information received by or through the Special Investigations Unit?  Yes  No Pg# \_\_\_\_\_
5. Public awareness of the cost and frequency of fraudulent activities and the methods of preventing fraud?  Yes  No Pg# \_\_\_\_\_
6. Development and use of a fraud detection policy and procedures manual?  Yes  No Pg# \_\_\_\_\_
7. Periodic review of claims and underwriting procedures including the review of forms and closed claim files?  Yes  No Pg# \_\_\_\_\_
8. Do you presently use an automated system for the examination of claim transactions and fraud analysis?  Yes  No Pg# \_\_\_\_\_  
If yes indicate the name of the system \_\_\_\_\_

Name \_\_\_\_\_ Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_