



**Department of  
Financial Services**

## **Consumer Protection and Financial Enforcement Report**

---

March 15, 2020

Linda Lacewell  
Superintendent

New York State Department of Financial Services

**Table of Contents**

INTRODUCTION .....2

    CPFED Organization and Oversight.....2

ENFORCEMENT ACTIVITIES .....3

STUDENT PROTECTION UNIT .....7

CONSUMER EXAMINATIONS UNIT .....8

    Background.....8

    Operations and Activities.....8

HOLOCAUST CLAIMS PROCESSING OFFICE (HCPO).....11

CONSUMER ASSISTANCE UNIT.....12

INVESTIGATIONS AND INTELLIGENCE UNIT ACTIVITIES.....18

    Criminal Investigations Bureau .....18

    Insurance Frauds Bureau .....22

APPENDICES—2019 STATISTICS .....29

    Number of Suspected Fraud Reports Received .....29

    Information Furnished By (IFB) Reports Received by Year.....29

    2020 Data Call: Vehicle Principal Location Misrepresentation .....33

    Approved Fraud Prevention Plans on File as of December 31, 2019.....36

    2019 Approved Life Settlement Provider Fraud Prevention Plans on File .....39

## INTRODUCTION

This report, required under Section 409(b) of the Financial Services Law, summarizes the activities of the Consumer Protection and Financial Enforcement Division (“CPFED”) of the Department of Financial Services (“DFS”) during 2019 in combating fraud committed against entities regulated under the Banking and Insurance laws, as well as fraud against consumers, and the Department’s handling of consumer complaints. It also summarizes the Department’s examination activities in the areas of consumer compliance, fair lending, and the Community Reinvestment Act; and DFS’s work to assist Holocaust victims and their heirs. Finally, it reviews the Department’s criminal banking and insurance investigations and work.

### CPFED Organization and Oversight

---

The CPFED encompasses the units described below:

- **Enforcement Unit:** Investigates civil financial fraud and violations of consumer and fair lending laws, the Financial Services Law, the Banking Law, and the Insurance Law;
- **Student Protection Unit:** Protects students from fraud and misrepresentation regarding financial products and services; monitors student-related financial practices in New York; educates student consumers and their families about available financial products and services; and informally mediates complaints by student borrowers and their families against student loan servicers, debt relief companies and debt collectors;
- **Consumer Examinations Unit:** Conducts fair lending, consumer compliance, and Community Reinvestment Act examinations; oversees the Banking Development District Program, as well as the registration and supervision of consumer credit reporting agencies;
- **Holocaust Claims Processing Office:** Advocates on behalf of Holocaust victims and their heirs, seeking the just and orderly return of assets to their rightful owners;
- **Consumer Assistance Unit:** Investigates and informally mediates complaints against regulated entities and individuals except those relating to producers and mortgages, as well as complaints concerning other financial products and services; and manages the deployment and staffing of the DFS Mobile Command Center; and
- **Investigations and Intelligence Unit:** Responsible for a variety of Department-related investigations, including those triggered by Part 500 cyber event notifications, as well as background investigations of licensing applicants in connection with student loan servicing, virtual currency exchanges, and other money services business licenses, and criminal banking and insurance fraud investigations.

Section 404 of the Financial Services Law provides the Superintendent with authority to investigate activities that may constitute violations subject to Section 408 of the Financial Services Law, or violations of the Insurance Law or Banking Law. In addition, the Superintendent is empowered to investigate persons and entities engaged in fraud or other misconduct as defined by the Banking Law, the Insurance Law, the Financial Services Law, and other laws providing the Superintendent with investigatory and enforcement powers.

## **ENFORCEMENT ACTIVITIES**

The Enforcement Unit investigates violations of the Financial Services Law, the Banking Law, and the Insurance Law. Discussed below are some of the Unit's investigations, initiatives, and other activities conducted in 2019.

### **Conduent Education Services, LLC**

---

DFS finalized a settlement in January 2019 with Conduent Education Services, LLC, f/k/a Xerox Education Services, LLC, f/k/a and d/b/a ACS Education Services, Inc. ("Conduent"), following an investigation to determine whether the company had complied with applicable laws while servicing federally guaranteed and private student loans. DFS's investigation uncovered that Conduent made false representations to borrowers in connection with finding suitable alternative repayment plans. Conduent, for example, steered borrowers into plans which granted forbearance in the short-term but disadvantaged borrowers in the long-term. The DFS investigation also found that Conduent misinformed borrowers regarding eligibility for public service loan forgiveness. DFS further found that Conduent failed to timely or accurately process applications for income-driven payment plans; allocated borrowers' payments in a way that maximized late fees; erroneously billed borrowers; misrepresented borrowers' outstanding balances; reported incomplete and erroneous information to credit reporting agencies; failed to properly recalculate monthly payments for servicemembers when adjusting interest rates under the Servicemember Civil Relief Act; and failed to notify borrowers of their eligibility for a co-signer release.

Pursuant to the January 2019 settlement, Conduent agreed to pay \$1 million in penalties to the State and \$8 million in restitution to New York consumers. Conduent, which has wound down its student loan servicing business, also agreed not to service student loans (except for Perkins Loans) for a period of five years.

### **Equifax**

---

DFS finalized a settlement in July 2019 with Equifax Inc., Equifax Information Services, LLC, and Equifax Consumer Services, LLC (collectively "Equifax"), following an investigation into the 2017 Equifax data breach. DFS reviewed Equifax's security practices prior to and at the time of the breach, as well as communications and services provided to consumers after announcement of the 2017 data breach. DFS's investigation uncovered that Equifax's information security program failed to adequately safeguard sensitive consumer information. DFS also found that Equifax failed to detect a critical vulnerability; failed to adequately support database segmentation; possessed an expired security certificate; and possessed inadequate access management controls. DFS further found that Equifax's responses following announcement of the data breach, on September 7, 2017, failed to provide adequate assistance to affected consumers.

Pursuant to the July 2019 settlement, Equifax agreed to pay a civil penalty of \$10 million to New York State. In connection with Equifax's agreement with consumer plaintiffs in a related

litigation, Equifax agreed to provide restitution to New York consumers pursuant to a settlement fund. In addition, Equifax agreed to undertake certain actions with respect to information technology and security practices pursuant to a June 25, 2018 consent order between Equifax Inc. and the Multi-State Regulatory Agencies, to which DFS is a party.

### **Applied Underwriters**

---

In July 2019, DFS finalized a settlement with Applied Underwriters ("Applied"), in which the company agreed to pay a \$3 million fine for selling to small- and medium-sized employers workers' compensation products that violated New York law. The settlement concluded a years-long investigation into the company's practice of offering workers' compensation insurance bundled with side agreements called "Reinsurance Participation Agreements" ("RPAs"), which were not filed with or approved by the Department, and which Applied offered from as early as January 2010. The investigation found that pursuant to these RPAs, many employers, including small businesses, paid substantially more than what would have been paid under similar workers' compensation plans, and that the formula by which the RPAs calculated costs was complex and misleading.

Applied agreed to cease offering these products in New York, and to seek Department approval in connection with future products.

### **Deferred-to-Immediate Annuities Investigation**

---

DFS finalized settlements in September 2019 with six life insurance companies: Companion Life Insurance Co., The Guardian Insurance & Annuity Company, Inc., Northwestern Mutual Life Insurance Co., The Penn Mutual Life Insurance Co., The Prudential Insurance Company of America, and The United States Life Insurance Company in the City of New York for violations of New York insurance regulations in deferred-to-immediate annuity replacement transactions. DFS's investigation found that the six carriers failed to properly disclose to consumers income comparisons and suitability information, causing consumers to exchange more financially favorable deferred annuities with immediate annuities. Many New York consumers received incomplete information regarding the replacement annuities, resulting in less income for identical or substantially similar options. The settlements were the result of DFS's ongoing industry-wide investigation into deferred-to-immediate annuity replacement practices in New York State.

Immediate annuities provide periodic income payments that begin within thirteen months after the annuity is issued, while deferred annuities allow consumers to earn interest on their premium before receiving payments at a future date. The evidence demonstrated that recommending that consumers replace existing deferred annuities with immediate annuities without proper disclosures may cost consumers substantial lifetime income.

In settling with DFS in September 2019, the insurers agreed to pay a collective \$1.15 million in restitution to New York State consumers, and \$673,000 in penalties. As a result of the settlements, many New York consumers will receive additional restitution in the form of higher

monthly payout amounts for the remainder of their contract terms. The insurers also agreed to take corrective actions, including revising their disclosure statements to include side-by-side monthly comparison information and revising their disclosure, suitability, and training procedures to comply with regulations. Investigations into additional life insurance carriers licensed by the Department remain ongoing.

### **Tuition Options LLC and EDvantage LLC**

---

DFS initiated an investigation into Tuition Options LLC and its parent company, EDvantage LLC, to determine whether Tuition Options LLC had complied with applicable laws while servicing student loans. DFS's investigation found that Tuition Options engaged in the business of a sales finance company without proper Department licensing, and failed to comply with the E-Sign Act before providing Truth in Lending Act disclosures to consumers electronically. DFS further found that EDvantage LLC provided New York consumers with promissory notes that allowed for capitalized interest, which is unlawful in New York.

DFS finalized a settlement in August 2019, in which Tuition Options LLC and EDvantage LLC agreed to pay a civil penalty of \$203,000 and \$33,309 in the form of disgorgement to New York State. Tuition Options LLC agreed to apply for applicable Department licenses. EDvantage LLC also agreed to remove references to capitalization from its promissory note template.

### **Payroll Advance Investigation**

---

In May 2019, DFS launched a multi-state investigation into whether companies that offer so-called online "payroll advances" are in fact violating New York usury and other lender laws. These payroll advance companies either market their products directly to consumers or integrate their products into a partnered employer's payroll and attendance system. In exchange for the advances, consumers agree to pay membership fees, transaction fees for expedited processing, and/or tips. The Department is investigating, among other things, whether the annualized interest rates on the advances exceed 25%, New York State's criminal usury cap. DFS's investigation is in coordination with 15 other states, as well as the District of Columbia and the territory of Puerto Rico.

### **Standard Chartered Bank Foreign Exchange Investigation**

---

On January 29, 2019, the Department announced a \$40 million fine and consent order with Standard Chartered Bank for attempting to rig foreign exchange transactions between 2007 and 2013. The foreign exchange, or FX market, is the marketplace where banks and other financial entities seek to service customers and to profit by buying and selling foreign currencies. FX dealers profit when they quote narrow spreads between the bidding and asking prices in currency exchanges.

The DFS investigation found that Standard Chartered traders used chatrooms and other communication methods to coordinate trades and spreads, attempt to manipulate trading benchmarks, share confidential customer information, and engage in non-competitive

agreements among traders on prices and spreads. DFS's investigation found that traders ignored guidance from regulators and the bank and when questioned admitted to improper information sharing. The bank cooperated with the Department's investigation and agreed to continue to improve its internal policies and programs while reporting to the Department. This settlement was the last in a series of actions taken by DFS that have resulted in penalties of more than \$3 billion against several major international financial institutions to resolve unlawful conduct in the foreign exchange trading business.

### **UniCredit Bank**

---

In April 2019, DFS entered into a consent order with UniCredit S.p.A. and its New York branch, UniCredit Bank AG and its New York Branch, and UniCredit Bank Austria AG. Pursuant to the settlement, the UniCredit entities agreed to pay a civil monetary penalty of \$405 million. UniCredit S.p.A. further agreed to engage an independent external party with Office of Foreign Assets Control ("OFAC") expertise to conduct an annual OFAC compliance review pursuant to a Cease and Desist Order entered into with the Board of Governors of the Federal Reserve, and to provide the Department with any reports prepared by that independent party.

The Department's investigation found that each of the UniCredit entities violated U.S. sanction laws from as early as 2002. Most egregious was UniCredit AG, which drafted and circulated a written policy (the "OFAC Guide") to circumvent its own filtering tool to execute transactions prohibited by OFAC. For transactions that involved sanctioned countries such as Iran, the OFAC Guide directed employees to convert "OFAC-relevant" information into "OFAC-neutral" terms. A transaction was "OFAC-relevant" if it contained data that appears on the OFAC list; a transaction was rendered "OFAC-neutral" when payments were successfully executed and not temporarily halted or permanently blocked in the U.S. Thus, the OFAC Guide instructed UniCredit AG employees to execute impermissible transactions via non-transparent practices. The Department's investigation identified approximately 2,570 non-transparent USD payment transactions, totaling approximately \$5.4 billion, sent by UniCredit AG through the U.S. banking system between 2002 and 2011. The investigation also identified 667 OFAC-prohibited USD payment transactions, totaling approximately \$660 million, sent by UniCredit AG through the U.S. banking system between 2002 and 2011.

The other UniCredit entities also executed impermissible and non-transparent transactions with sanctioned entities. The Department found that UniCredit S.p.A. executed approximately 957 USD transactions, valued at \$79.5 million, in violation of applicable sanctions laws and regulations between 2003 and 2012. During the same time period, UniCredit BA transacted more than 2,500 non-transparent USD payment transactions, totaling approximately \$3.8 billion.

### **Standard Chartered Bank**

---

DFS joined the U.S. Departments of Justice and Treasury, the New York County District Attorney's Office, the Federal Reserve Bank of New York, and the Financial Conduct Authority in the United Kingdom, to finalize concurrent settlement agreements with Standard Chartered Bank for a total of more than \$1 billion in fines and forfeiture. As a critical

component of its enforcement action, DFS further imposed enhanced oversight and remediation of the Bank's compliance function both globally and at its New York branch. These settlements represent the culmination of more than five years of joint investigation among the agencies into the Bank's violations of New York State and federal laws and regulations that restrict certain persons, countries, and entities from accessing the U.S. banking system. In entering into an April 2019 consent order with the Department, the Bank admitted that it failed for years to detect and prevent Iran-connected customers -- many of whom hid behind shell and front companies, and some of whom received assistance from Bank employees -- from engaging in thousands of USD transactions processed by the Bank through the U.S. financial system. The transactions were performed for the benefit of Iranian individuals and entities, totaling hundreds of millions of dollars in illegal payments.

### **Opioid Drug Industry Investigation**

---

In September 2019, DFS announced an action against opioid manufacturers, drug distributors and pharmacy benefit managers to secure compensation for New York consumers who have paid for the over-prescription of opioids. DFS's investigation targets the opioid drug industry's decades-old fraudulent and deceptive scheme to promote opioids for medically unnecessary uses with disregard for their highly addictive qualities. The industry's misrepresentations have caused myriad harms including addiction and related adverse health effects, and has triggered the need for costly addiction treatment. DFS seeks restitution and penalties against the industry for the thousands of small businesses and millions of New Yorkers who paid for these harms through, for example, rising health insurance premiums.

### **STUDENT PROTECTION UNIT**

Governor Cuomo established the Student Protection Unit ("SPU") as part of his 2014–15 Executive Budget to serve as a consumer watchdog for New York's students. SPU is dedicated to investigating potential consumer protection violations and distributing clear information that students and their families can use to help them make informed, long-term financial choices.

In 2019, SPU conducted 63 workshops at schools, libraries, community centers, and other locations across the state. The workshops provided vital information about the best methods for financing education, as well as available loan repayment options.

SPU also reviewed and successfully resolved complaints regarding student financial products and services, including student loans, student banking products, student debt relief services, and student health insurance. SPU accepted complaints through DFS's online complaint portal and by mail.

Governor Cuomo's 2019 Executive Budget included legislation authorizing the Department to license and examine student loan servicers. The law addresses common abuses, many of which were identified through SPU's complaint handling process, that are found in the student loan servicing industry. In addition, the Department promulgated regulations in October 2019 that

include additional measures to protect consumers from unscrupulous practices in the student loan servicing industry.

In August 2019, the Department launched the “Step Up for Students” initiative to educate New Yorkers about the new student loan servicing law and regulations. As part of the initiative, the Department collaborated with state and local officials to hold town hall style events at multiple venues across the state throughout the fall of 2019.

SPU also updated the “[Student Lending Resource Center](#)” on the Department’s website to bring it in line with the “Step Up for Students” initiative. The website includes tips for prospective college students, their families, and graduates already in repayment to help them navigate decisions relating to financing and repaying a college education.

In addition, SPU collaborated with the Enforcement Unit on the investigation of multiple student loan consolidation and debt relief companies.

## **CONSUMER EXAMINATIONS UNIT**

### **Background**

---

The mission of the Consumer Examinations Unit (“CEU”) is to maintain and enhance consumer confidence in New York’s financial services industry and protect customers. CEU does this by ensuring that regulated institutions abide by the State’s consumer protection, fair lending, and Community Reinvestment Act (“CRA”) laws and regulations, as well as by increasing consumer access to traditional banking and lending services in under-served communities by administering the Banking Development District program (“BDD”) and evaluating regulated institutions’ branching, investment, and merger applications for their performance records and community development objectives. Whenever possible, CEU coordinates its examination and enforcement activities with those of federal counterparts.

### **Operations and Activities**

---

#### **Consumer Compliance and Fair Lending Examinations**

CEU conducts consumer compliance and fair lending (CCFL) examinations to review institutions’ compliance with consumer protection and fair lending statutes and regulations. CEU’s CCFL examination activities include on-site examinations, targeted examinations, and in-depth investigations; processing and analyzing pertinent data from regulated entities; and guiding institutions on the content and implementation of their written fair lending plans.

In 2019, CEU conducted 37 CCFL exams. The examinations revealed that most institutions have adequate compliance processes. However, the examinations also showed that several institutions failed to develop and/or properly implement training, policies, and procedures covering relevant New York State consumer protection laws, regulations, and supervisory procedures. CEU examiners uncovered objectionable practices committed by a number of

institutions, including: unauthorized or illegal account fees, unclear or non-compliant disclosures; improperly calculated penalties; and lack of required disclosures (or disclosures made in improper form) including those mandated by the Truth in Lending Act, the Truth in Savings Act, those relating to the basic banking account or approved alternative account required by New York law, and those relating to safe deposit boxes.

CEU examiners also discovered various improper practices relating to fair lending, including: inadequate fair lending training given to key lending personnel and failure to ensure training adequacy through testing; inadequate safeguards against fair lending violations committed by third parties involved in the lending process; and excessive discretion to individual lending personnel in approving/denying applicants and in pricing loans. Combining the expertise of its fair lending data analysts and examiners, CEU identified and investigated the reasons for statistical disparities among borrowers of protected and non-protected classes. As a result, CEU has sought restitution for consumers and required improvements in fair lending risk monitoring and prevention. CEU also reviewed and recommended improvements to numerous institutions' written fair lending plans.

CEU works with institutions to improve their compliance practices and, where necessary, requires institutions to make restitution to their customers. In the past three years, CEU's CCFL examinations resulted in depository institutions refunding to more than 9,500 New York consumers a total of over \$850,000 in improper and/or illegal fees and interest, and penalties to New York State in excess of \$500,000.

### **Registration of Consumer Credit Reporting Agencies**

In 2018, the Superintendent promulgated Part 201 of Title 23 of the Official Compilation of Codes, Rules, and Regulations of the State of New York, which required the registration of consumer credit reporting agencies ("CCRAs") with the Department and imposed certain reporting and examination requirements and forbade certain practices of CCRAs. On behalf of DFS, CEU identified and contacted CCRAs and processed registrations. Through 2019, CEU has registered 18 CCRAs, including Equifax Information Services, LLC, Experian Information Solutions, Inc., and TransUnion, LLC.

### **Community Reinvestment Act Examinations**

Through CRA examinations, DFS ensures that regulated institutions are providing loans, investments, and services to support the economic stability, growth, and revitalization of the communities they serve, particularly for low- and moderate-income ("LMI") individuals and small businesses and in LMI neighborhoods. The examinations are also a means to ensure that borrowers and businesses at all income levels have access to appropriate financial resources at a reasonable cost, consistent with safe and sound banking practices.

In 2019, the Consumer Examination Unit conducted 24 CRA exams. Through analysis of loan data, CEU assesses how well banks serve the credit needs of their communities. CEU conducts

intensive on-site examinations to support banks' efforts to comply with New York State's CRA regulations and issues examination ratings and reports that must be shared with the public.

### **Community Development Unit**

The Community Development Unit ("CDU") facilitates the development and preservation of banking services in under-served and LMI neighborhoods. CDU researches and analyzes community demographic information to ascertain the financial needs of consumers. CDU also reviews the impact on communities of applications to merge, convert charters, make community development equity investments, and open, close, or relocate branches. CDU also administers the Banking Development District ("BDD") program, which includes reviewing the requests of participating banks for the renewal of BDD deposits and making recommendations to the Office of the State Comptroller regarding those renewals. In addition, CDU fosters working relationships with community groups, financial institutions, municipal governments, and other regulatory and supervisory agencies to ensure that residents, businesses, and communities throughout New York State have access to the banking information, products, and services they need. CDU ensures DFS's compliance with requirements for participation in the New York State Geographic Information Systems Clearinghouse and provides internal support to DFS divisions and operating units seeking assistance with mapping projects.

### **Banking Development District Applications**

The Banking Development District Program is a DFS priority, as it assists low-to-moderate income communities in obtaining better access to affordable financial services and helps small businesses to develop and grow as part of New York's communities.

CDU approved the designation of three new BDDs in 2019: Hamlet of Bridgeport, Madison and Onondaga counties; Town of Wilson, Niagara County; and Towns of Croghan, Denmark and New Bremen and Villages of Croghan and Castorland, Lewis County. CDU also assisted institutions with pre-application work. In 2019, CDU received new inquiries relating to two communities seeking to establish a BDD. As of December 31, 2019, the BDD designation process has commenced for one of those two. CDU also experienced an increase in inquiries from credit unions, resulting from the amendment to Section 96-d of NYBL which now permits credit unions to participate in the program.

CDU reviewed 13 BDD Request for Renewal of Deposit Applications and in each case issued recommendations for the renewal of deposits. CDU also reviewed five BDD Progress Reports for which it issued responses noting satisfactory progress.

### **Review of Applications for Community Impact**

In 2019, CDU processed 57 branch applications comprised of the following: 38 closings; 2 electronic facility (ATM branch) openings; and 17 full branch openings. In addition, CDU processed 18 specialized applications, including 7 basic banking account alternatives, 2 changes of control, 2 conversions, 4 credit union conversions and field of membership expansions, 2

mergers, and 1 de novo. Finally, CDU reviewed 18 community development equity investment notifications (including 14 requests for prior approval of investments and 4 self-certification notifications), of which all were either acknowledged or approved.

### **Community Outreach and Special Projects**

CEU management participated in the Federal Deposit Insurance Corporation’s (“FDIC”) Youth Employment Roundtable, which seeks to identify opportunities for young people in underserved communities to obtain exposure to and experience in the financial services industry and personal financial management. CEU management also presented informational sessions at compliance conferences of the Independent Bankers Association of New York State.

CDU continued to coordinate with New York City’s Department of Housing Preservation and Development and the University Neighborhood Housing Program to further DFS’s mission to protect tenants of multifamily properties in physical or financial distress through CRA examinations.

CDU actively participated in the CRA Interagency Group, composed of community affairs officials from the FDIC, the Federal Reserve Bank, and the Office of the Comptroller of the Currency. CDU participated in one community reinvestment coalition roundtable in Buffalo, NY.

### **Summary of Consumer Examination Unit Activity**

CEU conducted 37 CCFL exams and 24 CRA exams. CEU processed 87 applications from banks (57 branch applications for openings and closings; 12 specialized applications; and 18 community development equity investment applications) and 18 requests relating to BDD branch deposits.

Type of Work	2019
CCFL	37
CRA	24
CDU – applications	87
CDU – BDD request for renewal	13
CDU – BDD progress reports	5

## **HOLOCAUST CLAIMS PROCESSING OFFICE**

The Holocaust Claims Processing Office (“HCPO”) provides institutional assistance to individuals seeking to recover assets lost due to Nazi persecution. Claimants pay no fee for the HCPO’s services, nor does the HCPO take a percentage of the value of the assets recovered.

The HCPO assists Holocaust victims and their heirs from anywhere in the world. From its inception through December 31, 2019, the HCPO has assisted individuals from 46 states, the District of Columbia, and 40 countries.

To date, the HCPO has secured \$180,928,105 in offers<sup>1</sup> for bank, insurance, and other losses. The office facilitated restitution settlements involving 162 cultural objects. In 2019, HCPO claimants received \$2,680,475 in offers and the office coordinated settlements for 10 works of art.

As required by Section 37-a of the Banking Law, HCPO submitted its [2019 Annual Report](#) to the Governor and Legislature on January 15, 2020. The report is available on the Department's website.

## CONSUMER ASSISTANCE UNIT

### Operations and Activities

---

The Consumer Assistance Unit (“CAU”) handles complaints against insurance companies, banks and other financial institutions, and providers of financial products and services, such as debt collection, prepaid debit cards and debt settlement. CAU distributes information and alerts to consumers, answers consumer inquiries and resolves disputes that consumers are unable to work out on their own. The unit also manages the deployment and staffing of DFS’s Mobile Command Center (“MCC”), an important tool used to inform, engage, and support communities throughout New York State, particularly in the event of emergencies such as regional flooding and other disasters. CAU also acts as an industry watchdog by working closely with companies and financial institutions to investigate and help correct patterns of consumer abuse and fraud.

CAU employs a multifaceted approach to assisting consumers:

- **Enhanced Complaint System:** Allows CAU staff to quickly track and identify trends that arise from the various types of financial complaints received. Once a trend is identified, it is elevated to determine whether a more in-depth review is needed, with the goal of benefiting all consumers affected by the issue. CAU’s complaint system also allows urgent, time-sensitive insurance and banking issues to be escalated and handled in a more efficient manner.

---

<sup>1</sup> Processes offer victims or heirs monetary compensation calculated on the value of the lost assets, however, the total amount of funds available to a claims agency may be limited and may not allow for full payment of loss. Thus, the actual payment may be substantially less than the value of the lost asset. The full value noted in a decision is important as it recognizes the actual loss and guides in determining the amount of payment when full payment is not possible. Therefore, the HCPO reports the full value. Sometimes victims do not consider the offer adequate and do not agree to settle. In other cases, the percentage of the full value that is offered is the amount paid.

- **Complaint Triage:** CAU continuously triages complaints and evaluates staff assignments in an effort to route complaints more quickly and utilize resources and staff as efficiently as possible.
- **Consolidated Call Center (CCC):** The DFS call center is integrated within the Department of Tax and Finance. DFS staff works with the CCC to provide updates and new information to assist callers with their insurance and banking questions. The call center operates from 8:30 a.m. to 4:30 p.m., Monday through Friday, with extended coverage during disasters.

## Complaints and Inquiries

---

### Insurance Complaints

CAU received 28,477 insurance complaints in 2019, closed more than 28,500 insurance complaints and recovered \$67,860,076 on behalf of consumers and providers. CAU also responded to 1,101 insurance inquiries. A detailed breakdown of the complaints is as follows:

Type of Insurance	Total Closed	Positive Consumer Outcome	Percent	Recovery Amount
Auto and No-Fault	4,346	1,281	29.48%	\$ 2,834,022
Health	2,970	1,002	33.74%	\$ 5,961,235
Prompt Pay	16,159	6,717	41.57%	\$46,572,894
Property Casualty & Service Contracts	1,809	444	24.54%	\$ 7,369,430
Life	932	292	31.33%	\$ 3,216,027
Workers Compensation & Paid Family Leave	2,296	791	34.45%	\$ 1,906,468
<b>Total</b>	<b>28,512</b>	<b>10,527</b>	<b>36.92%</b>	<b>\$67,860,076</b>

CAU was successful in obtaining monetary value for the consumer in approximately 37% of the complaints. This came in the form of increased claim payment, reinstatement of lapsed coverage, payment for denied medical claims, or coverage for a previously denied disaster-related claim.

### Banking Complaints, Referrals, and Inquiries (Non-Mortgage)

In 2019, CAU processed 3,262 non-mortgage-related complaints, referrals, and inquiries, recovering \$1,509,825 for New York consumers. A breakdown is set out below:

	2019	2018
Complaints and Referrals	3,214	2,659
Written Inquiries	48	29
<b>Total</b>	<b>3,262</b>	<b>2,688</b>

## External Appeals

Article 49 of the Insurance Law gives consumers the right to request a review of certain coverage denials, known as an external appeal. The reviews are conducted by medical professionals who are independent of the healthcare plan issuing the denial. An external appeal may be requested for the following denials:

- the health plan determines the service is not medically necessary to treat the patient’s condition;
- the health plan deems the healthcare services to be experimental or investigational;
- the treatment is for a rare disease;
- the request is for participation in a clinical trial;
- specific situations where a patient requests out-of-network services;
- the patient is requesting a formulary exception; or
- the patient is requesting an override of the health plan’s step therapy requirements.

CAU is responsible for screening the external appeal applications for completeness and eligibility. Eligible applications are then randomly assigned to one of three external appeal agents, who are screened for conflicts of interest. Once assigned, DFS monitors the process to ensure that the external appeal agent renders a timely decision and provides proper notice of the decision.

The table below summarizes appeals received and appeals closed for 2019 and the preceding five years:

Summary of External Appeal Applications Received by Year						
Year	Received	Closed	Ineligible	Voluntary Reversal	Denial Upheld	Overtured
2014	8,520	8,296	2,502	622	3,357	1,815
2015	9,771	9,867	2,499	721	4,121	2,526
2016	8,602	8,620	2,255	607	3,349	2,409
2017	7,909	7,879	2,311	511	3,208	1,849
2018	8,442	8,096	2,356	363	3,415	1,962
2019	10,783	10,869	3,520	464	4,279	2,606

**Voluntary Reversals**—plan overturned its denial before the appeal was submitted to a reviewer  
**Ineligible**—the appeal was not eligible for an external review  
**Overtured**—includes decisions that overturned the denial in whole and in part

The table below lists the number of external appeal determinations categorized by type of appeal:

External Appeal Determinations by Type of Appeal in 2019				
Type of Denial	Total	Overtured	Overtured in Part	Upheld
Medical Necessity	6,508	2,257	154	4,097
Experimental/Investigational	233	126	4	103
Clinical Trial	1	1	0	0
Out-of-Network Service	5	1	0	4
Out-of-network Referral	48	28	0	20
Rare Disease	6	5	0	1
Step Therapy	12	4	0	9
Formulary Exception	72	27	0	45
<b>Total</b>	<b>6,885</b>	<b>2,448 (35.6%)</b>	<b>158 (2.3%)</b>	<b>4,279 (62.1%)</b>

The table below summarizes the external appeals that were rejected:

2019 External Appeals Rejected as Ineligible	
Reason	Quantity
Applicant Withdrew Appeal	168
Contractual Issue	174
Coverage Terminated	15
Covered benefit issue	74
Coding issue	14
Duplicate Application	450
Failure to respond to request for information	1,537
Federal Employees Health benefit program	11
Medicaid Fair Hearing	23

Medicare	97
No internal appeal	305
Non-Par Provider	1
Out-of-Network denial	17
Out-of-state contract	64
Overtured on Internal Appeal	19
Provider ineligible to Appeal	36
Reimbursement issue	97
Self-insured coverage	271
Untimely	147
<b>Total</b>	<b>3,520</b>

As part of DFS oversight of the External Appeal program, CAU reviews all external appeal decisions received to ensure that the appropriate number of clinical peer reviewers was used, the clinical peer reviewer was board-eligible or board-certified in the appropriate specialty, and that the review was conducted in accordance with the standards set forth in Article 49 of the Insurance Law. When appropriate, DFS contacts the external appeal agent to obtain a response to questions and concerns raised by the consumer or provider regarding a decision.

### **Out-of-Network Law**

Article 6 of the Financial Services Law protects consumers from “surprise bills” (as defined by the law) when services are performed by an out-of-network provider during a scheduled procedure at an in-network hospital or ambulatory surgical center without the patient’s knowledge or consent, or when an in-network doctor refers the patient to an out-of-network provider without obtaining the patient’s written acknowledgement and consent. The law also provides protection from bills for out-of-network emergency services by limiting the patient’s financial responsibility to his or her in-network co-payment, coinsurance, or deductible.

### **Independent Dispute Resolution**

Article 6 of the Financial Services Law allows a provider or health plan to dispute the amounts charged and paid for surprise bills and emergency services through an Independent Dispute Resolution (“IDR”) process. An Independent Dispute Resolution Entity assigns a reviewer with experience in healthcare billing, reimbursement, and usual and customary charges to review the dispute in consultation with a licensed doctor in active practice in the same or similar specialty as the doctor providing the service in question.

The tables below summarize IDR applications filed in 2019:

Summary of Independent Dispute Resolutions Received in 2019			
Emergency Services		Surprise Bills	
<b>Total Received</b>	<b>895</b>	<b>Total Received</b>	<b>1785</b>
Not eligible	259	Not eligible	256
Still in process	33	Still in process	60
<b>Decision rendered:</b>		<b>Decision rendered:</b>	
Health plan payment more reasonable	114	Health plan payment more reasonable	53
Provider charges more reasonable	141	Provider charges more reasonable	951
Split decision	166	Split decision	215
Settlement reached	182	Settlement reached	250
<p><b>Not eligible</b>—the dispute was not eligible for a review.  <b>Split decision</b>—health plan payment more reasonable for one more codes and the provider’s charge more reasonable for the remaining codes.  <b>Settlement reached</b>—the health plan and provider agreed to settle the dispute prior to a full review.</p>			

IDRs rejected as not eligible:

Independent Dispute Resolutions Rejected as Ineligible in 2019			
Emergency Services		Surprise Bills	
AOB not signed	0	AOB not signed	88
Application not received by IDRE	52	Application not received by IDRE	51
Application withdrawn	16	Application withdrawn	25
Claim paid, Balance patient responsibility	2	Claim paid, Balance patient responsibility	0
Duplicate submission	1	Duplicate submission	3
Federal Employee coverage	2	Federal Employee coverage	5
Incorrect Insurer	14	Incorrect Insurer	9
Medicaid ER Service	2	Medicaid ER Service	1
Medicare	2	Medicare	3
Not a surprise bill	0	Not a surprise bill	35
Not emergency services	11	Not emergency services	0
Not OON claim	8	Not OON claim	5

Out of State coverage	67	Out of State coverage	16
Out of State Facility	5	Out of State Facility	2
Self-funded coverage	70	Self-funded coverage	6
Services not rendered by a physician	4	Services not rendered by a physician	0
Services rendered by a par-provider	0	Services rendered by a par-provider	2
Settlement reached before IDR filed	3	Settlement reached before IDR filed	5
<b>Total</b>	<b>259</b>	<b>Total</b>	<b>256</b>

### **Outreach and Response Efforts in 2019**

---

CAU staffers participated in more than 60 outreach events in 2019 to disseminate information to the public on topics including elder abuse, identity theft, and health issues. In addition, utilizing DFS’s Mobile Command Center, CAU assisted homeowners and small business owners affected by the 2019 Upper Mohawk Valley flooding.

### **INVESTIGATIONS AND INTELLIGENCE UNIT ACTIVITIES**

DFS’s two criminal units, the Criminal Investigations Bureau on the banking side of DFS and the Insurance Frauds Bureau on the insurance side, support the Department’s efforts to protect the integrity of New York’s financial system by detecting and deterring illegal activities conducted at or through New York State’s financial institutions. Through independent investigations, and in partnership with other law enforcement agencies, the units conduct criminal investigations related to our industries, particularly in the investigation of crimes involving violations of the Insurance and Banking Laws, Penal Law, Bank Secrecy Act, Patriot Act and additional state and federal money laundering statutes. In the furtherance of criminal investigations, they also issue administrative subpoenas and respond to grand jury subpoenas and other requests for assistance from law enforcement and prosecutorial agencies, including provision of industry expertise through staff investigators and examiners.

### **Criminal Investigations Bureau**

---

#### **Background**

The Criminal Investigations Bureau (“CIB”) investigates potential violations of the New York Banking Law and certain enumerated crimes of the New York Penal Code, violations of anti-money laundering laws, and crimes related to residential mortgage fraud, and takes appropriate action after such investigation. CIB works cooperatively with law enforcement and regulatory agencies at the federal, state, county, and local levels, focusing its investigations in the following areas:

## **Major Financial Institutions**

CIB investigates allegations of fraud, theft, and embezzlement at the state-chartered banks and credit unions it supervises, and partners with federal and state prosecutors to assist in the prosecution of insiders who steal from the institutions they are entrusted to run.

## **Money Services Businesses**

CIB works with federal, state, county, and local regulatory and law enforcement agencies to ensure compliance by money services businesses, including licensed check cashers and money transmitters, with federal and state statutes and related regulations designed to detect and eliminate the illegal transmission of money within New York State to prevent money laundering and terrorist financing.

## **Mortgage Fraud Investigations**

CIB investigates mortgage fraud cases throughout New York State to assist local, state, and federal regulatory and law enforcement agencies in the investigation and prosecution of such cases, and to educate law enforcement and the financial sector in identifying, investigating, and prosecuting mortgage fraud.

## **Mortgage Loan Originator Licensing Support**

CIB provides support to the Mortgage Banking Unit's efforts to comply with the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("SAFE Act"). Under the SAFE Act, states are encouraged to increase uniformity, enhance consumer protection, and reduce mortgage fraud through the establishment of a national mortgage licensing system. One key provision of the SAFE Act is the requirement of a criminal background check of each mortgage loan originator applicant.

During 2019, CIB investigators reviewed 424 criminal history reports related to mortgage loan originator applications filed with DFS.

## **CIB's Additional Operations and Activities**

### **Due Diligence Support**

CIB provides support to various operating units within DFS by vetting license applicants. In that capacity, it conducts due diligence background investigations of companies and control parties seeking student loan servicing, money services business and virtual currency licenses from DFS's Banking Division. In 2019, CIB vetted the businesses and control parties underlying 69 DFS applications.

## Cyber Event Investigations

DFS cyber investigators review all cybersecurity events reported to DFS pursuant to Section 500.17 of the DFS Cybersecurity Regulations. DFS licensees that are covered entities under DFS Cyber Security Regulations Part 500 report cybersecurity events through the DFS secure cyber portal. Information underlying cyber event notifications is gathered by the cyber investigations team and escalated to the appropriate DFS operating divisions to enhance supervision of the cybersecurity programs of DFS licensees and ensure compliance with the Department's first-of-its-kind Cybersecurity Regulations. 662 cyber events were filed in the portal and reviewed by the cyber investigations team in 2019.

## **Major Criminal Investigations Bureau Cases in 2019**

### **Thirteen Arrested in Gift Card 'Washing' Scheme**

In 2019, CIB joined the New York City Police Department and Queens District Attorney's Office in the investigation, arrest and felony charges for participants in a multimillion-dollar gift card scheme. As charged, the scheme involved the purchase of stolen credit card numbers from the dark web, which were then transferred to gift cards and exchanged from gift cards to cash to hide their illicit source. The perpetrators are charged with using a Bronx check casher to launder the proceeds, valued at approximately \$24 million. Among the 13 arrested was the compliance officer of the DFS-licensed check cashing business.

### **President and CEO of New York City Credit Union Receives Federal Prison Sentence for Embezzlement**

CIB worked with the U.S. Attorney's Office for the Southern District of New York and the New York County District Attorney's Office in an investigation of the credit union's president and chief executive officer who, for at least five years, embezzled millions of dollars belonging to the non-profit credit union. The credit union's earnings are intended to benefit its federal, state and municipal employee-members in the form of more favorable rates and fewer and lower fees for products and services. Upon his admission in federal court that he had (i) submitted sham invoices to receive reimbursement for hundreds of thousands of dollars for dental work never performed; (2) received millions of dollars in cash payments in lieu of a long-term disability insurance policy and millions more for taxes to cover those payments; (3) received reimbursement for repairs to a luxury vehicle the credit union leased to him, for which repair work was already covered by insurance; (4) took cash withdrawals from a credit union business credit card from the credit union's ATMs; and (5) approved substantial educational, housing, and living expenses for family members of his friends hired to be interns by the credit union at his direction, he was sentenced to a five-and-a-half-year prison term and ordered to repay all of the nearly \$10 million of money he stole.

## **Arrests of 2 Executive Board Members of New York’s Oldest Credit Union**

In addition to the investigation into the credit union’s President and CEO, CIB also aided in the investigation of the credit union’s former and current executive board members; particularly, a sitting Brooklyn Supreme Court Justice and a retired New York City police officer. Both were arrested in 2019. The judge was charged with conspiracy to commit obstruction of justice, and the retired police officer was charged with embezzlement from a federal credit union, defrauding a financial institution, and distribution of controlled substances. Oversight of the credit union, its board and its officers was required under the New York Banking Law by a board of directors and a supervisory committee, each of which was composed of members who were not to receive compensation. Both parties waived indictment in U.S. District Court, Southern District of New York.

## **Lawyer Sentenced in Large-Scale “Short Sale” Mortgage Fraud Scheme**

CIB assisted the FBI and the U.S. Attorney’s Office for the Southern District of New York in the investigation of an attorney who conspired with owners of a real estate investment company to deceive New York City homeowners—some of whom were elderly and in poor health—into signing over their homes by promising loan modifications or similar debt-relief assistance. Unbeknownst to the homeowners, the co-conspirators used fraudulent documents to purchase the homes at vastly reduced prices and then re-sold them for enormous profits. In July 2019, the attorney - who purported to represent the homeowners in the deceptive real estate closings – was sentenced to five years in prison after he was convicted by a federal jury of conspiracy to commit wire fraud and bank fraud. Both owners, who had previously pleaded guilty to conspiracy to commit wire fraud in 2018, received prison sentences, and were ordered to forfeit more than 30 properties and cash from multiple bank accounts. Two lower-level co-conspirators also pleaded guilty and were sentenced in federal court.

## **Arrest in Long Island Loan Modification Scheme**

CIB helped the Nassau County Police Department investigate and arrest a defendant for felony grand larceny in connection with a fraudulent loan modification scheme that preyed on desperate homeowners. Holding himself out as a mortgage loan modification specialist to homeowners who were “underwater” in their mortgages, the defendant was arrested for pocketing approximately \$150,000 that was supposed to be used to obtain more favorable mortgage terms for his victims.

## **Guilty Plea by Executive of a Long Island Mortgage Loan Company in \$8.9 Million Scheme to Defraud Banks**

CIB assisted the FBI and the U.S. Attorney’s Office for the Eastern District of New York with the investigation of executives at a Long Island mortgage lender who were arrested and charged with conspiracy to commit wire and bank fraud in connection with securing more than \$8.9 million of warehouse loans. In 2019, the former President of Sales became the third executive to admit his role in the crime, pleading guilty to conspiring to commit wire fraud and bank fraud in

connection with a scheme to embezzle \$8.9 million in warehouse loans that were supposed to fund residential mortgage loans.

### **Arrest and Guilty Plea for Thefts from Two New York Hospitals**

CIB aided the New York State Attorney General’s Office in the arrest of a payroll officer of two New York City hospitals who, between 2015 and 2018, used 14 fraudulent bank accounts in the names of other individuals to steal more than \$500,000 from the hospitals. After the transfer of the stolen monies to the fraudulent bank accounts, the defendant used debit cards associated with those accounts to withdraw over \$546,000 in cash from ATM machines throughout New York City. He used the stolen money to live a lavish lifestyle, including multiple trips to the Caribbean and many high-end shopping sprees. As part of his sentence, the defendant forfeited \$129,000 that was seized by the Attorney General and executed a confession judgement for \$325,000.

## **Insurance Frauds Bureau**

---

### **Background**

The Insurance Frauds Bureau (“the Bureau”) has a longstanding commitment to combating insurance fraud. It is responsible for the detection and investigation of insurance and financial fraud and the referral for prosecution of persons or entities that commit those frauds. The Bureau is headquartered in New York City, with offices in Garden City, Albany, Syracuse, Oneonta, Rochester, and Buffalo.

### **Highlights of 2019**

- Investigations resulted in 481 arrests, an increase of 33% over last year, 125 of which were for healthcare fraud;
- The Bureau opened 526 cases for investigation;
- Investigations led to \$14.9 million in court-ordered restitution;
- Prosecutors obtained 271 convictions in cases in which the Bureau was involved;
- Suspected no-fault fraud accounted for 59% of all fraud reports received by the Bureau.

### **Reports of Suspected Fraud/Investigations**

The Bureau received 25,985 reports of suspected fraud in 2019. The majority of those reports were from licensees required to submit reports of suspected fraud to DFS. The remaining reports were from other sources, such as consumers and anonymous tips. The Bureau opened 526 cases for investigation in 2019. Tables showing the number of fraud reports received, investigations opened, and arrests by type of fraud appear in the Appendices.

In 2019, the Bureau referred 192 cases to prosecutorial agencies for prosecution. Prosecutors obtained 271 convictions in cases in which the Bureau participated.

### No-Fault Fraud Reports and Investigations

The number of suspected no-fault fraud reports received by the Bureau accounted for 59% of all fraud reports received by the Bureau in 2019.

**Number of Suspected Fraud Reports Received Compared with Number of Suspected No-Fault Reports Received 2015 - 2019**



Combating no-fault fraud is one of DFS’s highest priorities. Deceptive healthcare providers and medical mills that bill insurance companies under New York’s no-fault system cost New York drivers hundreds of millions of dollars. DFS maintained its aggressive approach to combating this type of fraud throughout the year.

### Arrests

Bureau investigations led to 481 arrests for insurance fraud and related crimes in 2019.

## **Restitution**

Criminal investigations conducted by the Bureau resulted in \$14.9 million in court-ordered restitution.

## **Multi-Agency Investigations**

In 2019, the Bureau conducted multi-agency investigations with the following government departments, agencies, and offices:

- New York Police Department's Fraudulent Collision Investigation Squad and Auto Crime Division
- Fire Department of New York's Bureau of Fire Investigations
- Office of the Workers' Compensation Fraud Inspector General
- New York State Office of Fire Prevention and Control
- New York State Insurance Fund
- District Attorney's Offices
- State and local Police and Sheriff's Departments
- U.S. Attorney's Offices
- New York State Comptroller's Office
- New York State Attorney General's Office
- New York State Department of Motor Vehicles
- New York Auto Insurance Plan
- National Insurance Crime Bureau
- U.S. Postal Inspection Service
- U.S. Department of Labor
- Federal Bureau of Investigation
- U.S. Department of Health and Human Services
- Drug Enforcement Administration Tactical Diversion Task Force (Upstate/Downstate)

## **Task Force and Working Group Participation**

The Bureau is an active participant in 10 task forces and working groups designed to foster cooperation among agencies involved in fighting insurance fraud. Participation provides the opportunity for intelligence gathering, joint investigations, information sharing, and effective use

of resources. Among the groups in which Bureau staff participated during the past year are the following:

- Western New York Health Care Fraud Task Force
- Central New York Health Care Fraud Working Group
- Rochester Health Care Fraud Working Group
- FBI New York Health Care Fraud Task Force/Medicare Fraud Strike Force
- New York Anti-Car Theft and Fraud Association
- National Insurance Crime Bureau Working Group
- High Intensity Drug Trafficking Area
- Drug Enforcement Administration Tactical Diversion Task Force (Upstate/Downstate)
- Suffolk County District Attorney's Office Insurance Crime Bureau
- New York Alliance Against Insurance Fraud

### **Highlights of Task Force Participation**

A DFS Investigator assigned to the Drug Enforcement Administration Tactical Diversion Squad initiated an investigation into the alleged illegal sale of prescription pills. In 2019, as a result of information received from a confidential source, an investigation was conducted with the use of undercovers and other investigative techniques directed at the activities of a Medical Doctor based in Staten Island, New York. The Tactical Diversion Squad arrested nine subjects for their involvement in the illegal distribution of Oxycodone prescriptions without a legitimate need and for submitting false insurance claims to health insurance carriers.

### **Consumer Reporting**

DFS encourages consumers to report suspected fraud and maintains a toll-free hotline to facilitate reporting. Consumers may call 1-888-FRAUDNY (1-888-372-8369) for information regarding insurance fraud and how to report it. DFS recorded an average of 22 calls per month in 2019. The "Consumers" section of DFS's website includes a link to a fraud report form and instructions on how to report fraud.

### **Collection of Rate Evasion Data**

DFS collected data from insurers that wrote at least 3,000 personal lines automobile insurance policies showing the number of instances in which individuals misrepresented the principal location where they garaged and drove their vehicles to obtain lower premiums in 2019. A summary of the data appears in the Appendices under the Section titled "2020 Data Call: Vehicle Principal Location Misrepresentations."

## **Approval of Fraud Prevention Plans**

Section 409 of the New York Insurance Law requires insurers that write at least 3,000 individual accident and health, workers' compensation, or automobile policies (or group policies that cover at least 3,000 individuals) issued or issued for delivery annually in New York to submit a Fraud Prevention Plan for the detection, investigation, and prevention of insurance fraud. Licensed health maintenance organizations with at least 60,000 enrollees must also submit a Fraud Prevention Plan. Plans must provide for a full-time special investigations unit ("SIU") and for the following:

- Interface of SIU personnel with law enforcement and prosecutorial agencies;
- Coordination with other units of the insurer for the investigation and initiation of civil actions based on information received by or through the SIU;
- Development of a fraud detection and procedures manual to assist in the detection and elimination of fraudulent activity;
- Staffing levels and other resources devoted to the SIU based on objective criteria;
- In-service training of investigative, claims, and underwriting personnel in identification and evaluation of insurance fraud; and
- Development of a public awareness program focused on the cost and frequency of insurance fraud and the methods by which the public can assist in preventing fraud.

Insurers may submit Fraud Prevention Plans for multiple affiliated insurers. A list of insurer Fraud Prevention Plans approved by DFS that were active as of December 31, 2019 appears in the Appendices.

## **Investigation of Life Settlement Fraud and Review of Fraud Prevention Plans**

The Bureau collaborates with industry and law enforcement in the investigation and prevention of life settlement fraud. A life settlement is the sale of a life insurance policy to a third party, known as the life settlement provider. The owner of a life insurance policy may sell his or her policy for an immediate cash benefit, making the life settlement provider the new owner of the policy, which entails paying future premiums and collecting the death benefit when the insured dies.

The Life Settlement Act of 2009 brought the New York life settlement industry under regulation by DFS. The Act provides a comprehensive regulatory framework and created rules requiring the disclosure of crimes for acts of life settlement fraud and aggravated life settlement fraud.

Life settlement providers must submit Fraud Prevention Plans with their licensing applications. Section 411(e) of the Insurance Law also requires that they submit an annual report by March 15th of each year that describes the provider's experience, performance, and cost effectiveness in implementing its plan. There were 22 licensed life settlement providers in New York as of

December 31, 2019 with approved plans on file. A complete list of those life settlement providers appears in the Appendices.

### **Major Insurance/Financial Fraud Cases in 2019**

- In 2019, NYPD - Auto Crime requested assistance from the DFS with an investigation involving the theft of motorcycles. This investigation involved a group of eleven (11) individuals who operated out of an undercover sting location and who were involved in street level thefts. DFS assisted the NYPD in proving that there was no Insured involvement. Numerous arrests were made, and the subjects were convicted in May 2019 and ordered to pay restitution in the amount of \$7,650.
- In 2018, DFS, working with the Manhattan District Attorney's Office of New York, indicted an unlicensed Labor Broker and an Insurance Broker for an extensive insurance fraud scheme. The Brokers had under-reported the size of the Labor Broker's companies and lied to insurance carriers about the work being performed by his employees, in order to evade more than \$1 million in insurance premiums. In one case, a construction worker died at a construction site to which the Labor Broker had supplied services. The company plead guilty to Manslaughter for causing the construction worker's death. In order to secure cheaper rates, the Brokers had falsely told insurance companies that they were providing coverage for a handful of cleaners or interior carpenters, thereby misleading the insurance carriers about the true size and nature of work performed by the Labor Broker. The Brokers also generated fraudulent "certificates of insurance" which the Labor Broker then sent to his clients as proof that he had adequate workers' compensation insurance. On September 5, 2019, the Brokers were arrested for Insurance Fraud and four other Felonies.
- In 2018, DFS opened a case at the request of the FBI office located in Rochester, New York, to assist with an investigation into five Subjects who conspired with each other to defraud multiple victims located throughout the United States. The victims targeted were retirees and the Subjects tricked them into cashing in their retirement accounts and moving the funds into bogus investments. The Subjects have stolen approximately \$102 million dollars between January 2014 and July 2018. The primary victims were in New York, Pennsylvania, and Ohio.

Search warrants were executed at multiple residences and business locations. One Subject was interviewed, confessed and was charged with Conspiracy to Commit Mail Fraud, Mail Fraud, and Conspiracy to Commit Money Laundering. The Subject plead guilty (Federal Charge) on October 2, 2019 in the Western District of New York. Presently, additional Subjects (Co-Conspirators) are being interviewed and additional arrests are anticipated in this case at a later date.

- In 2018, DFS working with the Suffolk County District Attorney's Office initiated an undercover operation targeting a body repair shop located in Suffolk County, New York, that was allegedly enhancing damages to vehicles brought there. Information obtained by the Suffolk DA's Office has identified the shop as doing "shop enhancements".

An undercover vehicle was utilized and was taken to the target shop for repairs. The vehicle was retrieved after the repairs were completed. The vehicle damage was found to have been substantially enhanced. The owner was arrested and subsequently pled guilty on December 3, 2019 to Insurance Fraud and was sentenced on the same date to a Conditional Discharge.

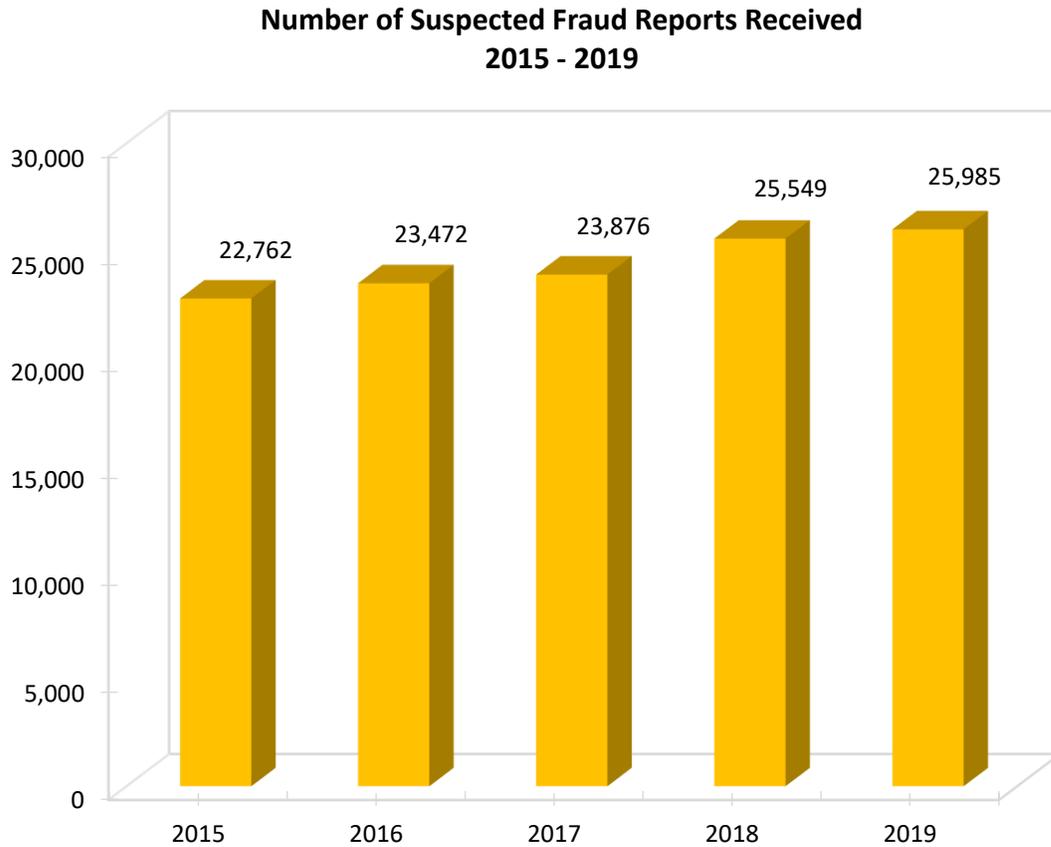
- The New York State Insurance Fund (NYSIF) informed DFS of a “Premium” investigation case involving an Insured, the Subject Corporation, which had “off the books” payroll to avoid paying their actual insurance premium. The Subject was insured for workers compensation coverage through the NYSIF, for the period commencing June 1, 2013 through June 1, 2016. The Subject Insured was obligated to disclose for every year, their gross sales made for that period. The amount of gross sales determines the amount of insurance premium the Insured must pay in order to obtain coverage. For the concerned period, the Subject, by under-reporting the gross sales, had in effect under-reported his insurance premium in the amount of \$371,000 to the NYSIF. The Subject Insured was arrested on February 27, 2019 and charged with 3 counts of Insurance Fraud and 2 counts of Class C Felony. The principal owner of the Subject Corporation, payed to the NYSIF, in court-ordered premium restitution, penalty and interest, in the amount of \$421,740.

**APPENDICES—2019 STATISTICS**

The Bureau received 25,985 reports of suspected fraud in 2019 compared with 25,549 in 2018.

**Number of Suspected Fraud Reports Received**

---



**Information Furnished By (IFB) Reports Received by Year**

---

<b><u>IFBs Received by Year</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Boat Theft	8	0	4	1	0
Auto Theft	721	613	559	610	547
Theft From Auto	26	22	28	32	55
Auto Vandalism	308	372	324	331	272
Auto Collision Damage	1,933	2,542	2,293	2,211	2,297
Auto Fraudulent Bills	201	111	114	76	76
Auto Miscellaneous	1,273	1,433	1,342	1,360	1,358
Auto I.D. Cards	8	4	6	7	5

<b>Total - Auto Unit</b>	<b>4,478</b>	<b>5,097</b>	<b>4,670</b>	<b>4,628</b>	<b>4,610</b>
--------------------------	--------------	--------------	--------------	--------------	--------------

Workers' Compensation	1,230	1,650	1,147	1,044	803
<b>Total - Workers' Comp Unit</b>	<b>1,230</b>	<b>1,650</b>	<b>1,147</b>	<b>1,044</b>	<b>803</b>

Disability Insurance	205	267	235	163	247
Health Accident Insurance	1,356	1,535	1,500	1,562	1,641
No-Fault Insurance	12,891	12,339	12,887	14,459	15,297
<b>Total - Medical/No-Fault Unit</b>	<b>14,452</b>	<b>14,141</b>	<b>14,622</b>	<b>16,184</b>	<b>17,185</b>

Boat Fire	1	2	0	1	0
Auto Fire	153	113	126	87	99
Fire – Residential	104	106	99	86	136
Fire – Commercial	23	24	36	14	22
<b>Total - Arson Unit</b>	<b>281</b>	<b>245</b>	<b>261</b>	<b>188</b>	<b>257</b>

Burglary - Residential	196	194	179	122	184
Burglary - Commercial	32	33	33	19	22
Homeowners	765	674	580	644	639
Larceny	83	125	214	202	218
Lost Property	190	478	1,027	1,351	834
Robbery	20	24	15	16	33
Bonds	1	3	3	5	2
Life Insurance	481	400	517	523	564
Ocean Marine Insurance	15	13	12	13	20
Reinsurance	1	0	1	1	2
Appraisers/Adjusters	17	9	5	8	21
Agents	84	83	71	106	97
Brokers	45	53	40	35	39
Ins. Company Employees	4	2	5	33	60
Insurance Companies	52	37	81	110	60
Title/Mortgage	4	8	17	9	8
Commercial Damage	123	110	287	238	239
Unclassified	208	93	89	70	88
<b>Total - General Unit</b>	<b>2,321</b>	<b>2,339</b>	<b>3,176</b>	<b>3,505</b>	<b>3,130</b>

<b><u>IFBs Received</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
-----------------------------	--------------------	--------------------	--------------------	--------------------	--------------------

Auto Unit Totals	4,478	5,097	4,670	4,628	4,610
Workers Comp Unit Totals	1,230	1,650	1,147	1,044	803
Medical/No-Fault Unit Totals	14,452	14,141	14,622	16,184	17,185
Arson Unit Totals	281	245	261	188	257
General Unit Totals	2,321	2,339	3,176	3,505	3,130
<b>Grand Total</b>	<b>22,762</b>	<b>23,472</b>	<b>23,876</b>	<b>25,549</b>	<b>25,985</b>

<b><u>Cases Opened by Year</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Boat Theft	0	0	0	0	0
Auto Theft	85	22	55	78	81
Theft From Auto	2	0	1	0	1
Auto Vandalism	2	9	11	7	12
Auto Collision Damage	26	24	26	29	31
Auto Fraudulent Bills	4	0	1	1	3
Auto Miscellaneous	23	7	11	14	15
Auto I.D. Cards	0	0	2	0	0
<b>Total - Auto Unit</b>	<b>142</b>	<b>62</b>	<b>107</b>	<b>129</b>	<b>143</b>

Workers' Compensation	99	90	136	194	130
<b>Total - Workers' Comp Unit</b>	<b>99</b>	<b>90</b>	<b>136</b>	<b>194</b>	<b>130</b>

Disability Insurance	9	13	10	0	3
Health Accident Insurance	37	43	39	28	31
No-Fault Insurance	46	58	67	47	39
<b>Total - Medical/No-Fault Unit</b>	<b>92</b>	<b>114</b>	<b>116</b>	<b>75</b>	<b>73</b>

Boat Fire	0	0	0	0	0
Auto Fire	17	6	14	11	6
Fire – Residential	8	16	10	10	17
Fire – Commercial	5	5	6	2	5
<b>Total - Arson Unit</b>	<b>30</b>	<b>27</b>	<b>30</b>	<b>23</b>	<b>28</b>

Burglary – Residential	9	9	4	9	5
Burglary – Commercial	2	0	0	0	1
Homeowners	15	20	9	9	6
Larceny	20	26	13	28	45
Lost Property	2	6	3	1	1

Robbery	1	0	0	0	1
Bonds	1	0	0	0	0
Life Insurance	17	20	26	18	17
Ocean Marine Insurance	0	0	1	1	0
Reinsurance	0	0	0	0	0
Appraisers/Adjusters	1	0	0	1	1
Agents	10	6	10	6	4
Brokers	10	13	7	4	5
Ins. Company Employees	0	1	1	0	0
Insurance Companies	1	3	0	0	2
Title/Mortgage	0	0	0	2	1
Commercial Damage	0	4	1	2	7
Miscellaneous	38	48	57	52	56
<b>Total - General Unit</b>	<b>127</b>	<b>156</b>	<b>132</b>	<b>133</b>	<b>152</b>
<b>Grand Total</b>	<b>490</b>	<b>449</b>	<b>521</b>	<b>554</b>	<b>526</b>

<b><u>Cases Opened by Year</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Auto Unit Totals	142	62	107	129	143
Workers Comp Unit Totals	99	90	136	194	130
Medical/No-Fault Unit Totals	92	114	116	75	73
Arson Unit Totals	30	27	30	23	28
General Unit Totals	127	156	132	133	152
<b>Total</b>	<b>490</b>	<b>449</b>	<b>521</b>	<b>554</b>	<b>526</b>

<b><u>2015</u></b>	<b><u>IFBs</u></b>	<b><u>Cases</u></b>	<b><u>Arrests</u></b>
Auto Unit Total	4,480	142	117
Workers' Comp Unit Total	1,230	99	38
Medical/No-Fault Unit Total	14,452	92	79
Arson Unit Total	279	30	32
General Unit Total	2,321	127	64
<b>Grand Total</b>	<b>22,762</b>	<b>490</b>	<b>330</b>

<b><u>2016</u></b>	<b><u>IFBs</u></b>	<b><u>Cases</u></b>	<b><u>Arrests</u></b>
Auto Unit Total	5,097	62	35
Workers' Comp Unit Total	1,650	90	33
Medical/No-Fault Unit Total	14,141	114	133

Arson Unit Total	245	27	14
General Unit Total	2,339	156	80
<b>Grand Total</b>	<b>23,472</b>	<b>449</b>	<b>295</b>

<b><u>2017</u></b>	<b><u>IFBs</u></b>	<b><u>Cases</u></b>	<b><u>Arrests</u></b>
Auto Unit Total	4,670	107	63
Workers' Comp Unit Total	1,147	136	38
Medical/No-Fault Unit Total	14,622	116	105
Arson Unit Total	261	30	9
General Unit Total	3,176	132	77
<b>Grand Total</b>	<b>23,876</b>	<b>521</b>	<b>292</b>

<b><u>2018</u></b>	<b><u>IFBs</u></b>	<b><u>Cases</u></b>	<b><u>Arrests</u></b>
Auto Unit Total	4,628	129	107
Workers' Comp Unit Total	1,044	194	109
Medical/No-Fault Unit Total	16,184	75	91
Arson Unit Total	188	23	9
General Unit Total	3,505	133	47
<b>Grand Total</b>	<b>25,549</b>	<b>554</b>	<b>363</b>

<b><u>2019</u></b>	<b><u>IFBs</u></b>	<b><u>Cases</u></b>	<b><u>Arrests</u></b>
Auto Unit Total	4,610	143	220
Workers' Comp Unit Total	803	130	31
Medical/No-Fault Unit Total	17,183	73	125
Arson Unit Total	256	28	18
General Unit Total	3,129	152	87
<b>Grand Total</b>	<b>25,981</b>	<b>526</b>	<b>481</b>

## **2020 DATA CALL: VEHICLE PRINCIPAL LOCATION MISREPRESENTATION**

The 2020 Vehicle Principal Location Misrepresentation data call concerned misrepresentations by New York insureds of the principal place where their vehicles were garaged and/or driven, during 2019.

### **Summary of Data Reported**

---

- More than 99% (determined by market share) of the personal line automobile insurance market responded to the data call.
- The total number of reported New York insureds who misrepresented the principal place where their vehicles were garaged and/or driven in 2019 was 27,596.

- The total amount of reported premium lost in 2019 as a result of New York insureds who misrepresented the principal place where their vehicles were garaged and/or driven was \$49,264,277.
- In 2019, 89% of the reported misrepresentations involved a location within New York State. The remaining 11% involved a location outside of New York State.

### **Misrepresentations Involving a New York State Location**

---

- Total amount of reported premium lost in 2019 due to misrepresentations that involved a location (county) within New York State was \$46,770,392.
- The top reported New York counties where insureds, who misrepresented the garaging/driving location of their vehicles, actually garaged and/or drove their vehicles in 2019:

Kings	28.18%
Queens	21.72%
Bronx	16.57%
Nassau	6.97%
Suffolk	4.98%
New York	4.02%
Westchester	3.56%
Monroe	2.33%
Erie	1.65%

- Top reported New York counties used by insureds to misrepresent where their vehicles were garaged and/or driven in 2019:

Suffolk	11.53%
Westchester	8.95%
Monroe	6.87%
Albany	5.81%
Nassau	5.75%
Erie	4.21%
Broome	3.99%
Orange	3.80%
Onondaga	3.31%
Dutchess	3.23%

Schenectady	3.08%
Queens	3.00%

### **Misrepresentations that Involved a Location Outside of New York State**

---

- Total amount of reported premium lost in 2019 due to misrepresentations that involved a location outside of New York State was \$2,493,885.
- The top reported New York counties where insureds, who misrepresented the garaging or driving location of their vehicles, actually garaged and/or drove their vehicles in 2019:

Suffolk	15.82%
Kings	11.57%
Queens	11.36%
Nassau	11.30%
New York	7.95%
Westchester	5.90%
Bronx	5.50%
Richmond	2.61%
Erie	2.51%

- Top reported states used by insureds to misrepresent where vehicles were garaged and/or driven in 2019:

Florida	48.24%
Pennsylvania	10.16%
Virginia	5.33%
Connecticut	4.76%
New Jersey	4.59%
South Carolina	4.09%
North Carolina	2.78%
Georgia	2.51%
Arizona	2.35%

## **Approved Fraud Prevention Plans on File as of December 31, 2019**

Aegis Security Insurance Company  
Aetna, Inc.  
AIG Companies  
Allianz Global Corporate & Specialty  
Allstate Insurance Group  
Allstate Life Insurance Company of New York  
Amalgamated Life Insurance Company  
American Family Connect Property and Casualty Insurance Company  
American Family Life Assurance of New York  
American Modern Insurance Group  
American Transit Insurance Company  
Ameritas Life Insurance Corp. of New York  
AMEX Assurance Company  
Amica Mutual Insurance Company  
AMTrust Financial Services, Inc.  
Anthem, Inc.  
Arch Insurance Company  
Assurant Group  
Atlantic Specialty Insurance Company  
AXA US  
AXIS Insurance Company  
Bankers Conesco Life Insurance Company  
CareConnect Insurance Company, Inc.  
CDPHP  
Central Mutual Insurance Company  
Chubb Ltd. Group  
CIGNA Health Group  
Cincinnati Insurance Company  
CMFG Life Insurance Company  
CNA Insurance Companies  
Commercial Travelers Life Insurance Company  
Countryway Insurance Company  
Country-Wide Insurance Company  
CSAA Fire & Casualty Insurance Company  
Delta Dental Insurance Company  
Delta Dental of New York, Inc.  
Dentcare Delivery Systems, Inc.  
Electric Insurance Company  
Emblem Health Inc.

Erie Insurance Group  
Esurance  
Excellus Health Plan, Inc. and MedAmerica Insurance Company of New York  
Farm Family Casualty Insurance Company  
Farmers Insurance Group of Companies  
Fidelity Security Life Insurance Company/ Fidelity Security Life Insurance Company  
of New York  
First Symetra National Life Insurance Company of New York  
GEICO  
Genworth Life Insurance Company of New York  
Gerber Life  
Global Liberty Insurance Company of New York  
Guard Insurance Group  
Guardian Life Insurance Company of America  
Hanover Group  
HealthNow New York Inc.  
Healthplex Insurance Company  
Hereford Insurance Company  
HM Life Insurance Company of New York  
Independent Health Association, Inc.  
Ironshore Indemnity Inc.  
John Hancock New York  
Kemper  
Kingstone Insurance Company  
Lancer Insurance Company  
Liberty Mutual Commercial Insurance  
Liberty Mutual Personal Insurance  
Life Insurance Company of Boston & New York  
Lincoln Financial Group  
Maidstone Insurance Company  
Main Street America Group  
Markel North American Insurance Group  
MassMutual Financial Group  
Merchants Insurance Group  
Mercury Insurance Group  
Metropolitan Life Insurance Company  
Metropolitan Property and Casualty Insurance Company  
Mutual of Omaha Insurance Company  
MVP Health Care  
National General Insurance  
National Liability & Fire Insurance Company

Nationwide Mutual Insurance Company  
New York Automobile Insurance Plan  
New York Central Mutual Fire Insurance Company  
New York Life Insurance Company  
Nippon Life Insurance Company of America  
Northwestern Mutual Life Insurance Company  
Oscar Insurance Corporation  
Oxford Health Plans  
Philadelphia Indemnity Insurance Company  
Preferred Mutual Insurance Company  
Principal Life Insurance Company  
Progressive  
Prudential  
QBE Insurance Group, Ltd.  
Reliance Standard  
Renaissance Life & Health Insurance Company of New York  
SBLI USA Life Insurance Company, Inc.  
Securian Financial Group  
Security Mutual Life Insurance Company of New York  
Selective Insurance Group  
ShelterPoint Life Insurance Company  
Standard Life Insurance Company of New York  
Standard Security Life Insurance Company of New York  
State Farm Insurance Companies  
Sun Life and Health Insurance Company (U.S.)  
The Hartford Financial Services Group  
The Sentry Insurance Group  
The State Insurance Fund  
Torchmark Corporation  
Transamerica Financial Life Insurance Company  
Travelers Companies, Inc.  
Tri-State Consumer Insurance Company  
Trustmark Mutual Holding Company Group  
Unimerica Insurance Company of New York, Inc.  
Union Labor Life Insurance Company  
Union Security Life Insurance Company of New York  
United Concordia Insurance of New York  
United Healthcare Insurance Company of New York  
United Healthcare of New York, Inc.  
Universal American  
Unum Provident Company

USAA Group  
Utica National Insurance Group  
Voya Financial Inc.  
VSP  
Zurich in North America

### **2019 Approved Life Settlement Provider Fraud Prevention Plans on File**

---

Abacus Settlements, LLC  
Berkshire Settlements, Inc.  
Coventry First LLC  
Credit Suisse Life Settlements LLC  
EAGiL Life Settlement Inc.  
FairMarket Life Settlements Corp.  
Georgia Settlement Group (Incorporated in its state of domicile as The Settlement Group, Inc.)  
GWG Life Settlements, LLC  
Habersham Funding, LLC  
Imperial Life Settlements, LLC  
Institutional Life Settlements, LLC  
Life Capital Group, Inc.  
Life Equity, LLC  
Life Policy Traders, Inc.  
LifeTrust, LLC  
Magna Life Settlements, Inc.  
Maple Life Financial Inc.  
Mason Finance Inc.  
Montage Financial Group, Inc.  
Q Capital Strategies, LLC  
SLG Life Settlements LLC  
Spiritus Life, Inc.