



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

January 15, 2003

To the Governor and the Legislature:

I am pleased to submit the Annual Report of the Superintendent of Insurance on the operations of the Insurance Frauds Prevention Act and the activities of the Insurance Frauds Bureau for Calendar Year 2002. The report details the Bureau's record-breaking accomplishments during the past year and documents the Bureau's commitment to the fight against insurance fraud.

The Frauds Bureau has had an exceptional year in 2002. The number of arrests reached an all-time high and criminal convictions set a new record, topping last year's total by more than 85%. This is due in large measure to the Bureau's efforts in nurturing and strengthening its relationship with law enforcement, prosecutors and insurance company Special Investigations Units across the State. Multi-agency cooperation was evident in the success of many investigations during 2002. Most noteworthy was an investigation conducted jointly by the Frauds Bureau, the Suffolk County District Attorney's Office and the National Insurance Crime Bureau. This cooperative effort led not only to arrests but to the seizure of cash, bank accounts and more than \$1 million in commercial real estate. For the first time, the Insurance Department successfully used New York's forfeiture statutes to impose economic as well as criminal sanctions in an insurance fraud case. Currently, every case is being evaluated for the possibility of seeking economic penalties.

On September 11, 2002, the Department reflected on the events of a year earlier with sadness for all we lost on that day. That sadness was tinged with pride in the determination with which we met the challenges presented to the entire insurance community by those events. The Frauds Bureau has been "fast-tracking" World Trade Center claims to ensure that they receive prompt attention. To make certain that strong lines of communication existed among all agencies involved in this issue, the Frauds Bureau successfully coordinated its investigative efforts with other law enforcement agencies.

The Frauds Bureau will continue to pursue those who seek to take advantage of the World Trade Center tragedy, or any other situation, to commit insurance fraud. We renew our commitment to the detection and prevention of insurance fraud and welcome the opportunity to serve the people of New York State.

Respectfully,

Gregory V. Serio  
Superintendent of Insurance

*The Annual Report*  
*to the Governor*  
*and the Legislature*  
*of the State of New York*  
*on the Operations*  
*of the Insurance Frauds Prevention Act*  
  
*(Article 4 of the Insurance Law)*

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## ***I. Insurance Frauds Bureau 2002 Highlights***

*The Frauds Bureau posted 707 arrests in 2002, breaking last year's record of 554 by more than 27%. In addition, the number of criminal convictions in Frauds Bureau cases, at 389, hit an all-time high, up from 210 in 2001.*

*The Frauds Bureau and the Brooklyn Borough President established an Automobile Insurance Task Force to explore and advance innovative ways to reduce the incidence of fraud in order to help control auto insurance costs for consumers in Brooklyn.*

*At the direction of the Superintendent, the Frauds Bureau initiated a Community Outreach Program. Fraud investigators visit community groups and civic organizations to inform the wider community about insurance fraud and how they can avoid becoming victims.*

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

*The Bureau sponsored an off-site conference for the insurance industry and law enforcement in May. We brought together a panel of experts to discuss insurance fraud from a prosecutor's point of view. The conferences offer a forum for education, forging new and constructive relationships, and strengthening existing ones.*

*The Bureau has been diligent in its pursuit of those who would take advantage of the events of September 11 for their own profit. We established a procedure for fast tracking WTC-related fraud complaints to ensure prompt attention. A total of 66 complaints were opened as investigations during the year.*

*The Bureau participates in a program that puts our investigators in prosecutors' offices to work side-by-side with their investigative staff. The initiative helps to ensure that our cases are given due consideration. Thus far, five DAs' offices are involved in the program and a number of others have expressed interest.*

*Working with the Suffolk County DA's Office and the National Insurance Crime Bureau, the Frauds Bureau conducted an investigation that led to criminal felony charge against three officers of a Long Island auto body shop, and for the first time fines, seizure and attachment of property were used as economic sanctions.*

*In our continuing efforts to promote teamwork with insurance company Special Investigations Units, the Bureau initiated a series of meetings with small groups of SIU staff. Participants are encouraged to speak openly about problems or issues of concern and discuss possible solutions. A summary of some of the issues discussed and the steps taken to resolve them are posted to the Frauds Bureau's Web site.*

## ***II. The Insurance Frauds Bureau***

There is no escaping the fact that the Bureau's activities during the past year were overshadowed by the events of September 11 and its aftermath. Considering the scope of the disaster and the potential for fraud, relatively few World Trade Center-related claims were opened for investigation since 9/11/01. In all, 66 fraud investigations were conducted: 21 involved life insurance; 16 were workers' compensation; 6 were auto related and 23 were miscellaneous.

The past year was punctuated by a number of accomplishments and initiatives. In addition, we continued to foster stronger working relationships with insurance companies and law enforcement agencies on the federal, state and local level.

- **Multi-Agency Investigations** – We combined forces with prosecutors and law enforcement agencies with greater frequency during 2002 and these stepped-up collaborative efforts are working, with more arrests this past year than at any time in the Bureau's history. Throughout the year, we pooled resources with insurer SIUs, the U.S. Attorney's Office, the Workers' Compensation Inspector General's Office, District Attorneys, the State Police, and Sheriff's Departments across the State to conduct investigations that contributed to our record-breaking arrest total. Such partnering efforts allow for the most efficient and productive use of resources in our efforts to eliminate insurance fraud. As an example, an auto insurance fraud investigation conducted by the Frauds Bureau, the Suffolk County DA's Office and the National Insurance Crime Bureau ended in July with not only arrests but also the seizure of cash, bank accounts and more than \$1 million in commercial real estate. The forfeitures laws, used successfully for the first time in this case, will help the Bureau to recapture the illicit profits from insurance fraud.
- **Cooperative Enforcement Efforts** – The Bureau actively participates in numerous working groups and task forces throughout New York State. Through interaction with these groups, we strive to foster a spirit of teamwork in the detection of insurance fraud. These groups meet regularly to develop cases, plan strategy and resolve any problems that arise. Among the groups with which the Frauds Bureau is affiliated are:

The Western District of New York Health Care Task Force;  
The Capital District Health Care Fraud Working Group;  
The Northern District of New York Health Care Investigators' Group;  
The Oneida County Arson Task Force/Strike Force; and  
The Fraud Insurance Strike Team (FIST).

In addition, the Bureau has recently joined the White Collar and Electronic Crimes Task Force, a group of federal state and local law enforcement agencies sponsored by the U.S. Attorney for the Northern District of New York.

- **Data Sharing** – The Frauds Bureau is committed to making the most effective use of technology in carrying out our mission to detect, investigate and prevent insurance fraud.

**\*Important Databases** – Investigators routinely avail themselves of databases, both in-house and external, in the course of their investigations. Investigators employ the Bureau’s own database as well as that of the Consumer Services Bureau and Licensing. External databases include the NYPD Accident Report Database, the New York State Police Information Network (NYSPIN), the databases of DMV, NICB and NAIC, among many others.

**\* Electronic Fraud Reporting** – The Bureau has in place a system that allows insurers to report suspected fraud online, with a search feature that provides valuable cross references. Once a report is transmitted, insurers can search the Bureau’s database to seek information on all other reports that share common information, *e.g.*, the same name and/or address of the suspect or a vehicle identification number. In addition, insurers are provided with the name and telephone number of a contact person at any other company on the cross-reference list. The Bureau provides training in the use of the search engine to all insurers upon request. Currently, about 55% of all fraud reports are received electronically. We are also working with the Department’s Systems Bureau to create a Web-based reporting system for those insurers whose information technology is incompatible with the AT&T Global Network system we currently use. An issue of data security must be resolved before Systems can proceed with development of the new system. Our goal is to achieve 100% electronic reporting, whether AT&T or Web-based. Thus, data will be transmitted in real time and hard copies will be eliminated. The Bureau received 24,578 reports of suspected insurance fraud in 2002, down from 26,028 in the prior year.

### ***III. The Staff***

Frauds Bureau investigators are all seasoned professionals with extensive law enforcement experience. New investigators participate in an Entry-Level Training Program. In addition, all investigators participate in the Bureau’s In-Service Training Program. Both programs were developed by our Training Officer. These programs comply with the standards and curriculum established for professional police officers by the Bureau of Municipal Police of the New York State Department of Criminal Justice Services. Our investigators often exceed these high standards in the performance of their duty. At left, Acting Director Anthony DeRiso congratulates new Investigator Fred White after his swearing-in ceremony.



The Bureau’s Training Officer is a Certified Firearms Instructor and as such provides our investigators, both upstate and downstate, with the appropriate instruction for their annual recertification in firearms proficiency. Yearly certification in firearms proficiency is required by the Department of Criminal Justice Services. However, the Frauds Bureau requires our investigators to certify semi-annually, demonstrating the importance we place on the responsibilities attached to the proper use of firearms.

In addition, investigators, examiners and support staff regularly attend career development seminars and training programs to increase their proficiency in computer skills, management techniques and problem-solving methods. Our staff takes advantage of the many educational opportunities offered by the American Management Association, the NAIC, John Jay College of Criminal Justice and the National Health Care Anti-Fraud Association, among many others. In addition, Bureau staff attend training provided in-house, *e.g.*, the Department's annual Current Issues Seminar, and others such as Defensive Driving, Valuing Diversity and Sexual Harassment Prevention.

#### ***IV. The Year in Review***

##### **A. Major Cases**

###### **1. WORLD TRADE CENTER FRAUD**

Since the tragic events of September 11, the Frauds Bureau has been fast-tracking World Trade Center claims to ensure that they receive prompt attention. The Insurance Department has actively coordinated with other law enforcement agencies to make certain that a strong line of communication exists among all agencies involved in this issue. That link has proven to be invaluable because in some instances, there is a crossover between charity fraud and insurance fraud.

Considering the scope of the disaster, the Frauds Bureau opened relatively few fraud investigations during 2002: 21 involved life insurance, 16 workers' compensation, 6 auto fraud and 23 were miscellaneous in nature for a total of 66. The following are summaries of several of these cases:

- Three individuals were arrested in March and charged with falsely filing for death certificates claiming that members of their families died in the attacks. It was further alleged that, based on these certificates, they filed fraudulent death benefit claims and sought and received other disaster relief funds. These arrests were the result of an investigation by the Frauds Bureau.
- Also in March, a woman was arrested in Florida and returned to New York to face charges that she submitted a fraudulent claim to MetLife for \$500,000 in death benefits on behalf of the beneficiary, her 14-year old daughter. The defendant claimed that her ex-husband, whose life was insured by the policy, resided in New York City and died while at his job as an engineering maintenance worker at the World Trade Center on September 11. MetLife found the claim suspect and reported their suspicions to the Frauds Bureau. The investigation uncovered evidence that the insured was alive and living in Florida. He was unaware of his ex-wife's activities.
- A Brooklyn man was charged in April with falsely claiming his 1999 BMW was destroyed in the garage of the World Trade Center on September 11. GEICO reimbursed him a total of \$38,361 for the loss. However, evidence gathered during the investigation by the Frauds Bureau, together with the NYPD, the Brooklyn District Attorney's Office, the National Insurance Crime Bureau and GEICO's Special Investigations Unit, revealed that the suspect

subsequently attempted to insure the same BMW with the same insurer. The car was recovered at the time of the arrest.

- A Staten Island resident was arrested in June as part of a sweep by the Manhattan District Attorney's Office that charged 15 people with stealing more than \$52,000 from charities established to assist victims of the World Trade Center attacks. In some cases, defendants allegedly filed insurance claims in an attempt to fraudulently obtain benefits. The arrested Staten Island man applied for disaster relief through the Federal Emergency Management Agency (FEMA), alleging he had lost his job at HIP as a result of the destruction of HIP's offices in the World Trade Center on September 11. However, an examination of HIP's records showed that he had been terminated on April 12, 2001 after he failed to appear for work. His arrest came as a result of an investigation by the Frauds Bureau and FEMA.
- Ajay Chawla was convicted in August in Common Pleas Court in Butler County, Ohio, of insurance fraud, attempted aggravated theft by deception, telecommunications fraud and falsification. The case is believed to be Ohio's only case of insurance fraud related to September 11. Chawla filed a claim against a \$100,000 life insurance policy, maintaining that his father had been inside the World Trade Center when it collapsed. However, evidence revealed that Chawla knew his father was alive and well in his native India. He faces up to eight years in prison at sentencing. The coordinated efforts of the Frauds Bureaus and local police departments in New York, Ohio and Illinois led to his arrest.
- A resident and business owner in lower Manhattan was arrested in November and charged with insurance fraud in the 2<sup>nd</sup> and 3<sup>rd</sup> degrees and grand larceny in the 2<sup>nd</sup> degree. After being displaced from her apartment by the World Trade Center disaster, this suspect rented space at the Helmsley Carlton Hotel which she said was necessary for her to continue to operate her business. She filed a claim with FEMA for reimbursement of one month's hotel bills and received payment. However, an investigation by the Frauds Bureau, FEMA, the Manhattan DA's Office and Chubb Insurance Company revealed that she had previously filed a claim with Chubb for living expenses and received payment of \$58,000.
- A Manhattan man was also arrested in November and charged with grand larceny in the 3<sup>rd</sup> degree and falsifying business records. He submitted a claim to Travelers Insurance Company for living expenses that he incurred as a result of being dislocated from his apartment in the vicinity of the World Trade Center and received \$30,000. However, an investigation uncovered evidence that he also applied to and received payment from FEMA and Safe Horizons (a victims' assistance group) for his living expenses. The combined efforts of the Frauds Bureau, FEMA, Safe Horizons, the Manhattan DA's Office and Travelers brought about his arrest.

## **2. OTHER SIGNIFICANT CASES IN 2002**

The Frauds Bureau joined forces with law enforcement agencies on the federal, state and local level in a number of successful investigations during 2002, including one case that yielded criminal felony charges as well as the seizing and attachment of property valued at more than a million dollars. The investigation, conducted jointly by the Frauds Bureau and the Suffolk

County District Attorney's Office, marks a new chapter in insurance fraud investigations and prosecutions. In the future, every case from Hauppauge to Buffalo will be evaluated for economic penalties in addition to criminal offenses. This case and others that contributed to our record-breaking arrest score are summarized here.

## **January**

### **SWEEP SEQUEL**

- Four suspects were arrested on charges that between 1990 and 2001 they defrauded the State workers' compensation system of a total of \$78,000. The arrests followed four separate but related investigations and were in addition to the arrests made in a December 2001 sweep in which nine persons and a now-defunct laundry were charged with fraudulently collecting nearly \$250,000 in workers' compensation benefits. Each of the four defendants – a cement truck driver, a salesman, a technician and a forklift operator – claimed that they were unable to work due to injuries sustained on the job. However, all were allegedly employed full time. The Frauds Bureau, the Queens District Attorney's Office and the Workers' Compensation Inspector General's Office took part in the investigation.

### **TARGET: NO-FAULT FRAUD**

- A fraud sweep led to the arrest of 20 suspects accused of staging accidents, filing fake accident reports, and submitting phony medical bills. Two defendants allegedly submitted no-fault claims using a phony accident report. The two were reimbursed more than \$2,500 for treatment of "post-concussion syndrome" stemming from the "accident." Another defendant was observed slamming his car into a concrete abutment several times in order to enhance damage. He received nearly \$3,000 for his phony claim. Two other defendants, employees of a medical facility, provided physical therapy treatments to an undercover investigator posing as a patient although they were not licensed to do so. They also falsely billed the insurer under no-fault for treatments never provided to the undercover investigator. The investigation was conducted by the Frauds Bureau, the Attorney General/Special Prosecutor's Auto Insurance Fraud Unit and the NYPD's Fraudulent Accident Investigation Squad.

## **February**

### **HOSPITAL TIME**

- An investigation conducted jointly by the Frauds Bureau and the Bronx District Attorney's Office led to the arrest of an unemployed Bronx woman for her alleged involvement in a medical insurance scam. The suspect in this case was covered under a policy that paid a fixed dollar amount for each day she was confined to a hospital. She was accused of submitting claims to her insurer in which she increased the actual number of days spent in the hospital, listing dates during which there was no hospital stay at all. Between January 1999 and May 2000, the defendant received \$21,800 in benefits that she collected under false pretenses.

## **OH, WHAT A TANGLED WEB**

- Two Long Island brothers were accused of the theft of millions of dollars in a project that called for the building of five dormitories at SUNY Westbury. The indictment alleged that they lied about their work experience and finances on an application for the \$27 million contracting job. On the basis of their application, they were awarded the contract and were paid \$5.3 million by the State Dormitory Authority. The project was due for completion by January 2002. However, according to records, because of the shoddy work performed and materials used by these defendants the job was not completed. The indictment also charged that the brothers lied to an insurance company in 1994 and 1995 when applying for bonds for a contracting company owned by them at that time. That company subsequently defaulted on the bonds and the insurer was out \$1.4 million. This information was omitted from their application for the Dormitory Authority job.

## **March**

### **OPERATION STREET SWEEP**

- Thirty individuals – including 24 car owners and six alleged middlemen – were charged in a \$1.6 million undercover sting operation that resulted in the recovery of 68 reportedly stolen vehicles. Among those charged were a New York City public school teacher, a Long Island Rail Road engineer, a Manhattan registered nurse, a U.S. Postal Service worker and a Metropolitan Transportation Authority bus driver. According to the charges, the owners turned their cars over to middlemen to get rid of them, filed insurance claims falsely reporting the cars stolen and received settlements of as much as \$32,000. The middlemen then sold the cars to undercover detectives posing as junkyard dealers for up to \$1,500. The 68 vehicles recovered in the sweep included expensive, almost new SUVs, costly Japanese imports, a BMW and a 2000 Suzuki motorcycle. The operation also led to the discovery of 33 false insurance claims that potentially could have cost various insurers \$700,000. State Farm Insurance Company and GEICO provided funds to aid the investigation conducted jointly by the Frauds Bureau, the Queens District Attorney's Office and the NYPD.

### **EIGHT STUNG**

- A sting operation conducted by the Frauds Bureau and the Bronx District Attorney's Office resulted in the arrest of eight people, including health care providers at two Bronx clinics, in connection with a scam to defraud auto insurers. The defendants allegedly attempted to steal more than \$42,000 from insurance companies by submitting invoices for medical treatment and procedures that were never performed. One of the defendants, an executive with a car-service company, was accused of falsely claiming to have transported accident victims from their homes to one of the clinics for treatment. Two other defendants allegedly enlisted an undercover detective to help them bilk an insurer. In exchange for \$800, the detective brought in three other detectives, also working undercover, who pretended to be auto accident victims. The detectives received physical therapy, acupuncture, chiropractic treatment and MRIs. In this case, two executives at one of the clinics involved were accused of billing insurers for \$8,000 worth of treatment with full knowledge that the "patients" had not been involved in an accident. This undercover operation, which began in mid-2000, remains an ongoing investigation.

## **April**

### **AGENT FRAUD**

- A licensed insurance agent was accused of taking insurance premiums from nine clients but failing to remit them to the appropriate insurer. He was also charged with issuing six fraudulent auto insurance identification cards and providing documents to a business owner indicating that the business had proper insurance coverage when in fact no coverage existed. His arrest came as a result of an investigation conducted jointly by the Frauds Bureau and the Monroe County Sheriff's Office.

### **ELECTRONIC SHENANIGANS**

- As a result of a joint investigation by the Frauds Bureau and the New Jersey Attorney General's Office, three Brooklyn residents were arrested and accused of defrauding Prudential Insurance Company of a total of \$17,300. The charges allege that, in separate transactions, these defendants sought auto insurance by telephone, stating they would submit premium payments electronically to secure coverage. However, although no money was transferred, they were able to receive refunds when they later "cancelled" the coverage. This investigation is ongoing.

### **ONE CLAIM ONLY**

- Following a report of suspected fraud by New York Central Mutual Fire Insurance Company's Special Investigations Unit, the Frauds Bureau and the City of Albany Police Department conducted an investigation that led to the arrest of the defendant in this case. The suspect, a health care worker, received almost \$5,000 for repairs to her car from her own insurer after she was involved in an accident. However, she allegedly also filed a claim with the other driver's insurer and received a second payment for the same repairs. When she was confronted with the evidence, she refused to relinquish the second check.

## **May**

### **DAUGHTER TO THE RESCUE**

- A former insurance agent from Harrison, NY, was arrested and charged with stealing more than \$91,000 from Federal Home Life Insurance Company by forging the signature of an elderly client on an annuity refund check and keeping the proceeds. The theft was discovered by the victim's daughter when she reviewed her family's financial records. The arrest resulted from an investigation by the Frauds Bureau and the Westchester County District Attorney's Office.

### **OPERATION FRAUD FOOLS**

- As a result of an investigation known as "Operation Fraud Fools," the latest in a series of undercover operations begun in 1991 to target auto insurance fraud, 12 car owners, including a doctor, a physician's assistant and a licensed stockbroker, were arrested in a \$500,000 auto fraud scheme. This investigation began in July 2000, when the NYPD started to purchase autos from a third party who was buying autos "given up" by their owners and disposing of them. According to the charges, the owners falsely reported their cars stolen and based on allegedly fraudulent claims, the owners received settlements ranging from \$15,000 to

\$33,000. However, the vehicles were already in police custody as part of Operation Fraud Fools. Among the insurers that were defrauded in this case were USAA Property & Casualty, MetLife and Nationwide. The Frauds Bureau, the NYPD's Auto Crime Division and the Queens District Attorney's Office contributed to the success of this investigation.

### **I DO, I DO**

- Following the work-related death of her husband in 1980, a Long Island woman became the beneficiary of his workers' compensation benefits, provided she did not remarry. On numerous occasions during the benefit period, she submitted written statements to the State Insurance Fund maintaining her single status. However, an investigation by the Frauds Bureau and the Suffolk County District Attorney's Office turned up evidence that she had remarried in 1990 and subsequently received nearly \$110,500 in benefits under false pretensions.

### **June**

#### **OPERATION WHIPLASH**

- Twenty-one individuals were arrested in a continuing auto insurance fraud investigation that was initiated in 1999 by the Frauds Bureau, the Queens District Attorney's Office, the NYPD's Fraudulent Accident Investigation Squad and the New York State Police. This latest group of defendants was alleged to have submitted false claims of auto accident-related injuries stemming from ten accidents purported to have occurred between May 2000 and March 2001. The accidents were subsequently "validated" by bogus reports created by an NYPD Administrative Aide, Belinda Lovander, who is serving two to six years in prison for her involvement in the scam. The charges in this case stem from a massive investigation in which 112 persons – among them attorneys, doctors, medical professionals and others – were charged in December 2001 with taking part in a multi-million dollar auto insurance fraud ring in the New York metropolitan area. The defrauded insurers, including GEICO, National Grange, Progressive, Prudential, State Farm and The Robert Plan, paid settlements totaling \$127,118 in this phase of the investigation in payments ranging from \$975 to \$25,000.

#### **SWEEPING UP**

- The Frauds Bureau, the Suffolk County District Attorney's Office, the State Insurance Fund and the Worker's Compensation Fraud Inspector General's Office pooled resources to carry out a sweep that resulted in the arrest of 19 people and the issuance of three corporation summonses. Most of those arrested were observed by members of law enforcement agencies working while claiming to have medical conditions that entitled them to workers' compensation benefits. Those arrested defrauded the taxpayers of New York State of more than a quarter-million dollars.

### **July**

#### **ASSETS SEIZED**

- In what is believed to be the largest ongoing investigation of insurance fraud in the State, the president, the vice-president and co-owner, and the general manager of a Suffolk County auto body shop were arrested for enhancing damages in order to jack up insurance claims.

For the first time, investigators seized the assets of the body shop owners, including \$117,000 in cash, \$140,000 in various bank accounts and more than \$1 million in commercial real estate. More than 450 arrests have been made thus far in this investigation, 305 in 2002 alone. Frauds Bureau investigators have been assigned to the Suffolk County District Attorney's Office and they have been working closely with the DA's staff and members of the Nation Insurance Crime Bureau in this investigation. The District Attorney's Office plans to use the Enterprise Corruption statute in the State's Organized Crime Control Act to add more charges in this latest round of arrests.

### **NASTY NINE**

- Nine Nassau County residents were arrested on charges of participating in various insurance scams. Five of the defendants were accused of fraudulently collecting more than \$35,000 in workers' compensation benefits. Two others were charged with filing fraudulent Certificates of Insurance in order to obtain work contracts for their businesses while avoiding payment of workers' compensation insurance premiums. In another case, a Levittown woman filed a fraudulent claim with State Farm Fire & Casualty Company stating she had lost her diamond ring – valued at \$5,000 to \$7,000 – at the beach. The investigation turned up evidence that she had submitted an identical claim three years earlier to a different insurance company. In the final arrest of the sweep, a Uniondale man was accused of filing false claims with Liberty Mutual Insurance Company for more than \$4,400 for electronic equipment allegedly damaged when his car was rear-ended. In addition, he submitted receipts for \$780 in expenses he allegedly incurred traveling to and from work while his car was being repaired.

### **August**

#### **CROSSING THE HUDSON**

- A Delaware County woman was arrested and charged with possession of a stolen 1995 Mark VII. The car was reported stolen in New Jersey and prior to its recovery, Liberty Mutual Insurance Company paid the owner more than \$13,000 for the loss. During an investigation by the Frauds Bureau, the Delaware County Sheriff's Office and the New Jersey Office of the Insurance Frauds Prosecutor, evidence was uncovered that this defendant, with others including the owner of the car, had conspired in a fraud scheme that began in New Jersey and proceeded to New York. One of the other conspirators in this case was arrested in July 2002 in this ongoing investigation and more arrests are expected.

#### **WHAT'S UP, DOC?**

- A Brooklyn physician was arrested on charges that between September 1997 and May 2000, he submitted no-fault claims for services that were never rendered. Moreover, services, when they were provided, were performed by unlicensed individuals. Two investigators – one each from the Frauds Bureau and the State Attorney General's Office – working undercover, visited the doctor's office posing as accident victims. They were asked to sign a register indicating they had received treatment on 44 days, none of which were they present in the doctor's office. However, the doctor submitted no-fault claims for each of these dates and as a result received more than \$5,000 in fraudulent reimbursement.

## **COUPLE IN CAHOOTS**

- A Monroe County couple reported to the Webster Police Department on January 5, 2001 that their home had been burglarized and several items stolen from their garage. They subsequently submitted a claim to Security Mutual Insurance Company for about \$21,000 for the bicycles, golf clubs, tools and other property allegedly stolen. An investigation by the Frauds Bureau and Security Mutual turned up evidence that the receipts submitted in support of their claim were fraudulent.

## **September**

### **NO SALE**

- A joint investigation by the Frauds Bureau, the State Police Auto Theft Unit and New York Central Mutual Fire Insurance Company's Special Investigations Unit led to the arrest of an unemployed Rochester resident charged with attempting to sell a car he knew was stolen. The owner had reported the car, a 1996 Mercury Grand Marquis, stolen on September 9, 2002. Subsequently, investigators learned that the defendant was offering the stolen car for sale. With funding provided by New York Central Mutual, the Frauds Bureau and the State Police conducted a sting operation during which an investigator working undercover offered to purchase the stolen car. The defendant agreed to sell it for \$500. The defendant later confessed that he and a group of friends were ransacking cars in the area and found the keys to the Grand Marquis in the glove compartment. The car was recovered and turned over to the insurer.

### **FUNNY BUSINESS**

- An investigation by the Frauds Bureau led to the arrest of an upstate business owner on charges that he falsely reported to the Oneonta Police Department that a burglary had occurred at his business. He subsequently filed an allegedly fraudulent claim with the Otsego County Patron's Insurance Company for a loss estimated at between \$12,000 and \$18,000.

### **FIREFIGHTER ARRESTED**

- A working New York City firefighter was accused of fraudulently collecting approximately \$7,000 in workers' compensation benefits from The Hartford Insurance Company. His arrest was the result of a joint investigation by the Frauds Bureau, the Workers' Compensation Inspector General's Office, the New York City Department of Investigations and the Bronx District Attorney's Office.

## **October**

### **RICH MAN, POOR MAN**

- The defendant in this case was charged with fraudulently collecting more than \$200,000 in workers' compensation benefits at the same time that he operated a business in Orange County that was listed in his wife's name. Following his arrest, the defendant confessed to investigators from the New York State Police. The investigation was conducted jointly by the Frauds Bureau, the Workers' Compensation Inspector General's Office and the State Police.

## **INTO THE WOODS**

- Following an investigation by the Frauds Bureau and the Delaware County Sheriff's Department, a health care worker was accused of filing a fraudulent auto-theft claim with Progressive Insurance Company in the amount of \$24,700. However, he allegedly crashed his 2002 Jeep Liberty and abandoned it in the woods before reporting it stolen.

## **NO LOST WAGES**

- The charges in this case alleged that, between June 2001 and June 2002, an upstate resident received more than \$35,000 in no-fault lost-wage benefits as a result of injuries he sustained in an auto accident in May 2001. He reported to National Grange Insurance Company that he was unable to work as a result of the accident. However, an investigation by the Frauds Bureau, the New York State Police and National Grange revealed that the defendant continued to work while collecting the lost-wage benefits. Moreover, on June 17, 2002, he gave fraudulent testimony concerning his employment status in connection with the no-fault claim.

## **November**

### **READY, WILLING AND ABLE**

- Queens DA Richard Brown, flanked by First Deputy Superintendent Louis Pietroluongo (left foreground) and NYPD Commissioner Raymond Kelly (right foreground), announced the conclusion of an investigation that resulted in charges being brought against 71 individuals and the recovery of 43 vehicles valued at more than \$1 million. Among the 71 charged were 26 vehicle owners who allegedly falsely reported their cars stolen to obtain insurance settlements. This is the most recent in a series of undercover operations that are part of an investigation that began in July 2001 known as "Operation Ready, Willing and Able." Working undercover, NYPD detectives set up a phony towing and wrecking garage called Able Towing and put the word out that owners could get rid of their cars with "no questions asked." The illegal transactions were audio and video taped by the undercover investigators "working" at Able Towing.



### **REVOKED BROKER**

- Based on numerous complaints received by both agencies, the Frauds Bureau and the Nassau County DA's Office joined forces in an investigation that brought about the arrest of a Long Island insurance broker whose license had been revoked on 10/11/01. He was charged with collecting more than \$600,000 in premiums from a number of clients and a premium finance company but failing to remit them to the appropriate insurers, among them Empire/Allcity, Royal, Allstate, Colonial, CGU and Gulf Insurance Companies. Most of his victims became aware of the fraud only when they received a cancellation notice from the insurer.

## **December**

### **JAIL TIME**

- On December 12, 2002, a Manhattan federal court judge sentenced Ernest Varacalli, owner of a Brooklyn “chop shop” with ties to the mob, to ten years in prison and three years probation and nearly \$1 million in restitution to a number of insurers. Over a four-year period, Varacalli’s shop chopped up \$5 million worth of stolen Mercedes-Benz, BMWs, Infinitis and other high-end cars and sold the parts. Some of the “stolen” cars were actually given up by owners who were behind in their lease payments and who subsequently received insurance settlements. Varacalli was one of 26 individuals arrested in a May 2001 sweep in the New York metropolitan area. He was convicted in U.S. Federal Court for the Southern District of witness tampering, conspiracy to operate a chop shop and interstate commerce of a chop shop. The remaining suspects have active cases in New York State courts. The investigation was conducted by the Frauds Bureau, the Brooklyn District Attorney’s Office and the NYPD. GEICO and CGU Insurance Companies helped fund the undercover operation that led to the arrests.

### **STATE CERTIFIED**

- A New York State-certified social worker and psychotherapist was indicted on December 13, 2002 on felony charges of stealing \$4,622 from Oxford Insurance Company. The suspect was accused of submitting 99 fraudulent claims for reimbursement over a two-year period from June 1999 to August 2000. The claims listed dates of service for patients or patients’ family members on which he did not see these patients. An investigation by the Frauds Bureau and the Rockland County District Attorney’s Office led to his arrest.

## **B. Prosecutors as Partners**

The Frauds Bureau is involved in an initiative that puts our investigators in prosecutors’ offices to work side-by-side with their investigative staff. This is an important way to help prosecutors recognize the importance of the crime of insurance fraud and to ensure that our cases are given due consideration. Many District Attorneys’ Offices across the State have received Department of Criminal Justice Services grant money to form auto insurance fraud units. We currently have two investigators in the Suffolk County DA’s Office virtually full time. In addition, we have one investigator in the Nassau County DA’s Office two days a week; two investigators one day a week in Queens; and one investigator three days a week in Rockland. We also have placed one investigator in the Albany County DA’s Office two to three days a week and we have been approached by both the Bronx and Westchester DAs’ Offices. This program will likely be expanded as more prosecutors apply for and receive grant money.

## **C. Brooklyn Auto Insurance Task Force**

The Insurance Department and the Brooklyn Borough President established a Brooklyn Automobile Insurance Task Force to help reduce the incidence of insurance fraud in an effort to control insurance rates for consumers in Brooklyn. The Task Force includes key Department staff from the Frauds, Property and Consumer Services Bureaus, as well as other anti-fraud agencies and Brooklyn legislators. Members explore innovative ways to attack insurance fraud

and examine the potential for establishing a special new Brooklyn good-driver insurance risk group that would end the penalty good drivers pay just because they live in Brooklyn. Safe driving groups, consumer advocacy organizations, the auto insurance industry and other stakeholders will be invited to make presentations to the Task Force.

#### **D. No-Fault Insurance Fraud**

No-fault fraud is the most prevalent type of fraud reported to the Frauds Bureau, accounting for 60% of all reports received in 2002. Our No-Fault Unit works with the Attorney General/Special Prosecutor's Auto Insurance Fraud Unit, as well as local prosecutors and law enforcement officials to stop auto fraud and abuse. In addition, our Training Officer has added a no-fault awareness program to the Bureau's Outreach Training Program. We are now reaching community groups and civic organizations, as well as those in the insurance industry and law enforcement in order to heighten awareness of this serious crime.

On the regulatory front: In October, New York's Appellate Division Court, First Department, upheld changes the Department made to Regulation 68, which governs no-fault insurance, apparently ending a series of court challenges by the New York State Trial Lawyers Association and the Medical Society of the State of New York. The most recent challenge was denied in February by the New York State Supreme Court and the recent Appellate Court's unanimous ruling upheld the Supreme Court's decision. Regulation 68 institutes new timeframes for accident victims to report a claim and for medical providers to submit claims for payment, eliminating loopholes that have been exploited as opportunities for fraud and abuse. It also includes important new consumer safeguards that will ensure legitimate claimants have their claims paid.

#### **E. Off-Site Fraud Conference**

The Bureau hosted an off-site conference in May that gathered a panel of experts to discuss fighting insurance fraud from a prosecutor's point of view. More than 200 members of the law enforcement and insurance community participated in the conference which was followed by a lively question and answer session. These conferences are seen as excellent forums for frank discussions of issues of mutual concern, networking and educational opportunities. Many insurance company attendees apply the conference hours to their Continuing Education requirements.

#### **F. Fraud Prevention Plans/Public Awareness Programs**

The Second Amendment to Regulation 95 requires all insurers that meet certain criteria to submit to the Department a Fraud Prevention Plan that includes establishing a Special Investigations Unit (SIU). At year-end, 145 Plans representing 417 insurers were active. A Frauds Bureau examiner currently accompanies members of the Health Bureau on financial examinations of health insurers. Our examiner meets with the SIU manager and reviews the company's Fraud Prevention Plan in order to determine whether the SIU is in compliance with the provisions of Regulation 95. Our examiner also provides training to SIU staff on how best to implement their Plans and provide accurate and thorough information in their annual reports.

These reviews have produced good results, *e.g.*, some fraud plans have been amended to bring them into compliance with Regulation 95 and annual reports contain better data. The Frauds Bureau plans to expand these SIU reviews by also accompanying staff of the Property Bureau on their market conduct examinations of property/casualty insurers. A list of the approved Plans as of 12/31/02 appears in the Appendices to this Report.

The Second Amendment to Regulation 95 also includes a requirement that insurers develop a public awareness program focused on the cost and frequency of insurance fraud. Major advertising campaigns, using newspapers, radio, television and billboards are carried out throughout the year by the New York Alliance Against Insurance Fraud, the National Health Care Anti-Fraud Association and a number of individual insurers such as Allstate and State Farm Insurance Companies. These programs are insurer-based and require no taxpayer dollars to operate. One measure of the success of these campaigns: Calls to the Frauds Hotline have increased from an average of 30 calls per week in 2001 to more than 50 per week during 2002.

### **G. New Office in Oneonta**

On January 30, 2002, Superintendent Gregory V. Serio, Lieutenant Governor Mary Donohue and State Senator James L. Seward, Chair of the Senate Insurance Committee, attended a ribbon-cutting ceremony at the Frauds Bureau's new Office in Oneonta. Otsego County's District Attorney William J. Gibbons and other law enforcement and county officials also attended. The Oneonta Office, with four investigators, will serve as a base of operations for the Southern Tier and part of the Mohawk Valley. The proximity of New York Central Mutual Fire Insurance Company was a factor in opening the office in Oneonta. The insurer is the eighth largest writer of auto insurance and the sixth largest writer of homeowners insurance in New York's insurance marketplace, and the third largest employer in Otsego County.

### **H. Anthony M. Kane Achievement Award**

In May, the Frauds Bureau was the recipient of the 2002 Anthony M. Kane Achievement Award for outstanding achievement in the field of fraud investigation and prevention. In presenting the Award, Robert E. Southard, President of the Northeast Chapter recognized and applauded the significant work of the Frauds Bureau.

## ***V. Operational Overview***

### **A. Administration**

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

Bureau staff consists of 37 investigators organized into eight specialized units – Arson, Automobile, No-Fault/Organized Fraud, Medical, Fraudulent Cards, Workers' Compensation,

General and Upstate – each of which is headed by a Supervising Investigator. General oversight of the investigative staff is the responsibility of a Chief Investigator with the assistance of a Principal Investigator.

The Bureau also has a staff of three insurance examiners who work under the supervision of a Principal Examiner. An Assistant Director of Research and an Assistant Counsel report to the Director and the Deputy Director and a Senior Training Officer reports to the Principal Investigator. In addition, five support staff members report to the Secretary to the Director. A list of staff members by title and office location appears in the Appendices to this Report.

## **B. Investigations**

The Frauds Bureau received 24,578 reports of suspected insurance fraud in 2002. Of these, 23,720 were received from licensees required to submit such reports to the Department and 858 were received from other sources such as consumers and anonymous tips. A total of 1,205 new cases were opened during the year, while investigations continued in numerous cases opened in prior years.

During 2002, the Bureau referred 197 cases to prosecutorial agencies for criminal prosecution and another 31 for civil settlement or referral to the Department's Office of General Counsel for civil proceedings. A comparison of the number of fraud reports received and investigations initiated from 1997 through 2002 appears in the Appendices to this Report.

## **C. Arrests and Prosecutions**

The Frauds Bureau participated in investigations leading to the arrest of 707 individuals for insurance fraud and related crimes during 2002, surpassing the 554 arrests posted during the prior year by nearly 28%. The number of arrests chalked up in 2002 sets a new record for the Bureau and represents an increase of more than 400% since 1996. Criminal convictions obtained by prosecutors in Frauds Bureau cases stood at a record-breaking 389 at year end, nearly doubling last year's total of 210. In addition, 430 individuals were sentenced in connection with Frauds Bureau cases during the year.

Frauds Bureau activities resulted in stiff penalties against 97 persons who were sentenced to more than \$2.4 million in court-ordered restitution in 2002. In 44 cases, individuals made voluntary restitution totaling an additional \$348,000. In 17 other instances, insurers achieved savings of more than \$28 million in connection with fraudulent claims under investigation by the Frauds Bureau.

The Governor and the Legislature have supported the Bureau's efforts to partner with prosecutors and law enforcement agencies to combat insurance fraud across the State. This support has contributed to our accomplishments during the past year.

## **D. Civil Enforcement**

Under the provisions of Section 403 of the New York Insurance Law enacted by the Legislature in 1992, the Insurance Department is authorized to impose civil penalties of up to \$5,000 plus the amount of the claim on individuals who commit fraudulent insurance acts. In addition, 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 Bureau the authority to impose sanctions in cases where the monetary value is not sufficient to justify criminal prosecution, or in which the extremely high burden of proof required in criminal cases cannot be met. Details of the civil enforcement program appear in the Appendices to this Report.

## **VI. Directions for 2003**

### **A. Forfeiture Laws**

As part of an aggressive initiative by New York State working with the cooperation of the Suffolk County DA's Office, the State's forfeiture laws were employed to seize the assets of criminals engaging in insurance fraud. In July, three principals of an auto body shop in Huntington were arrested. During the execution of a search warrant at the shop, investigators recovered \$117,000 in cash. The DA's Office attached the cash, \$140,000 in various bank accounts and more than \$1 million in commercial real estate. The Suffolk case marked the first time that forfeitures were used to impose economic sanctions, in addition to criminal penalties, against those who commit insurance fraud. In the future, we will evaluate every case for both economic and criminal sanctions.

### **B. Nuisance Abatement**

The Frauds Bureau uses every means at our disposal in pursuit of those who perpetrate insurance fraud. We have begun to examine ways in which the nuisance abatement provisions of the New York City Administrative Code can be used in this effort. Nuisance abatement is a civil remedy routinely used by the NYPD to close a location that qualifies as a public nuisance, *i.e.*, a site of recurring illegal activity over a period of time. In November 2002, Attorney Scott Weiss of the NYPD's Legal Bureau visited the Frauds Bureau's New York City Office and gave a presentation to Bureau supervisory staff on how nuisance abatement can be used in insurance fraud cases. Just as the NYPD uses nuisance abatement to close locations used for drugs, prostitution, fencing of stolen goods, etc., the Frauds Bureau could use its provisions to shut down a chop shop, a medical mill or other location engaged in illegal activity. An order can be sought from the Supreme Court of the State of New York to close the "public nuisance" locations with or without an arrest. We will be working closely with Mr. Weiss and his Unit on nuisance abating businesses and other locations involved in illegal insurance fraud activity.

### **C. Meetings with Special Investigations Units (SIUs)**

In mid-2002, the Frauds Bureau initiated a series of meetings with small groups of insurance company SIU staff. The meetings present an opportunity for frank discussion in an informal setting. The purpose of the meetings is to examine the relationship between the Frauds

Bureau and insurer SIUs and seek ways to improve and strengthen that relationship. We have prepared a summary of the issues discussed at these meetings and the steps taken to resolve them. The summary has been posted to our Web site and will be updated regularly as our meetings continue. Follow-up meetings will also be scheduled where issues will be revisited and progress in resolving them will be evaluated.

#### **D. Manual of Procedures**

In the coming year, the Bureau's Training Officer will undertake a complete review and revision of the Frauds Bureau Manual of Procedures to ensure that it remains current. The main focus of the review will be case management, preparation of case folders, procedures for monitoring the Frauds Hotline and a general review and update of Unit functions.

## VII. Legislation

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

- Establishing minimum standards for the public awareness programs that insurers are required to develop under the provisions of Regulation 95;
- Making it a crime for third parties, known as runners, to recruit patients and clients for health care providers and attorneys in insurance fraud schemes;
- Establishing a TIPS program;
- Requiring a periodic certification of continued eligibility by recipients of workers' compensation or disability benefits;
- Creating a class D felony for unlicensed activity by certain previously licensed individuals and entities that are no longer licensed at the time of the violation;
- Creating a class E felony for unlicensed activity by any individual;
- Subjecting unlicensed activity to civil penalties after notice and hearing before the Insurance Department;
- Providing for automatic revocation of licenses under Article 21 of the Insurance Law 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;
- 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 in the insurance business of individuals who have been convicted of felonies involving dishonesty, breach of trust or other violations of Article 176 of the Penal Law unless such persons first obtain the written consent of the Superintendent of Insurance for such activities;
- Including the Superintendent of Insurance as a member *ex officio* of the Motor Vehicle Theft and Insurance Fraud Prevention Board and permitting 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;
- Increasing penalties in the Vehicle and Traffic Law to reduce the number of uninsured or unlicensed motorists driving in New York State;
- Requiring no-fault and workers' compensation insurers to provide explanations of benefits in response to claims filed for health care services under those programs;

- Upgrading the status of Insurance Frauds Bureau investigators from peace officers to police officers, enabling them to act independently in the execution of such tasks as search and arrest warrants, court orders relating to electronic surveillance and summary arrests;
- Modifying the reporting date for the Annual Frauds Report (pursuant to Section 405 of the Insurance Law) from January 15 to March 15 of each year; and
- Modifying the reporting date for insurer Special Investigations Units annual reports (pursuant to Section 409 of the Insurance Law) from January 15 to February 15 of each year.

*VIII. Appendices*

**IFB Referrals Received by  
Type, 1997 - 2002**

<u>Year</u> <u>TYPE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Auto Theft	2,674	2,234	2,015	1,696	2,085	1,694
Auto Fire	253	262	310	313	374	267
Theft From Auto	130	119	119	65	88	101
Auto Vandalism	427	281	236	260	260	235
Auto Collision Damage	2,025	1,517	1,097	1,064	1,129	775
Auto Fraudulent Bills	55	45	28	33	58	32
Auto Misc.	<u>693</u>	<u>526</u>	<u>433</u>	<u>797</u>	<u>724</u>	<u>707</u>
<b>Auto Unit Totals</b>	<b>6,257</b>	<b>4,984</b>	<b>4,238</b>	<b>4,228</b>	<b>4,718</b>	<b>3,811</b>
Auto I. D. Cards	<u>402</u>	<u>308</u>	<u>253</u>	<u>302</u>	<u>591</u>	<u>536</u>
<b>Auto ID Unit Totals</b>	<b>402</b>	<b>308</b>	<b>253</b>	<b>302</b>	<b>591</b>	<b>536</b>
Workers' Compensation	<u>698</u>	<u>661</u>	<u>798</u>	<u>862</u>	<u>1,733</u>	<u>1,086</u>
<b>Workers' Comp Unit Totals</b>	<b>698</b>	<b>661</b>	<b>798</b>	<b>862</b>	<b>1,733</b>	<b>1,086</b>
Disability Insurance	91	70	102	82	93	102
Health Accident Insurance	<u>5,457</u>	<u>2,637</u>	<u>2,359</u>	<u>2,205</u>	<u>1,572</u>	<u>1,518</u>
<b>Medical Unit Totals</b>	<b>5,548</b>	<b>2,707</b>	<b>2,461</b>	<b>2,287</b>	<b>1,665</b>	<b>1,620</b>
No-Fault Auto Insurance	<u>7,042</u>	<u>9,659</u>	<u>9,191</u>	<u>12,372</u>	<u>15,219</u>	<u>14,852</u>
<b>No-Fault Auto Unit Totals</b>	<b>7,042</b>	<b>9,659</b>	<b>9,191</b>	<b>12,372</b>	<b>15,219</b>	<b>14,852</b>
Fire - Residential	170	150	126	114	159	127
Fire - Commercial	49	57	58	34	25	22
Burglary - Residential	272	452	453	361	444	392
Burglary - Commercial	59	115	62	66	98	93
Homeowners	808	620	340	258	307	288
Larceny	304	67	34	12	25	45
Lost Property	45	59	77	74	112	108
Robbery	3	11	16	15	19	28
Bonds	18	9	2	2	0	6
Life Insurance	68	66	95	65	79	100
Ocean Marine Insurance	49	38	24	21	19	15
Reinsurance	0	0	0	0	2	0
Appraisers/Adjusters	27	6	10	12	12	5
Agents	63	49	50	36	42	65
Brokers	55	75	87	59	47	60
Ins. Company Employees	14	7	6	5	8	10
Insurance Companies	8	2	2	3	0	4
Miscellaneous	<u>520</u>	<u>358</u>	<u>242</u>	<u>183</u>	<u>228</u>	<u>312</u>
<b>General Unit Totals</b>	<b>2,532</b>	<b>2,141</b>	<b>1,684</b>	<b>1,320</b>	<b>1,626</b>	<b>1,680</b>

Unassigned	634	710	571	876	476	993
<b>Totals</b>	<b>23,113</b>	<b>21,170</b>	<b>19,196</b>	<b>22,247</b>	<b>26,028</b>	<b>24,578</b>

<b><u>Referrals received</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>
<b>Auto Unit Totals</b>	6,257	4,984	4,238	4,228	4,718	3,811
<b>Auto ID Unit Totals</b>	402	308	253	302	591	536
<b>Workers' Comp Unit Totals</b>	698	661	798	862	1,733	1,086
<b>Medical Unit Totals</b>	5,548	2,707	2,461	2,287	1,665	1,620
<b>No-Fault Auto Unit Totals</b>	7,042	9,659	9,191	12,372	15,219	14,852
<b>General Unit Totals</b>	2,532	2,141	1,684	1,320	1,626	1,680
<b>Unassigned</b>	<u>634</u>	<u>710</u>	<u>571</u>	<u>876</u>	<u>476</u>	<u>993</u>
<b>Totals</b>	<b>23,113</b>	<b>21,170</b>	<b>19,196</b>	<b>22,247</b>	<b>26,028</b>	<b>24,578</b>

**Cases Opened by Type,  
1997 - 2002**

<u>Year</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>TYPE</b>						
Auto Theft	98	77	79	60	51	71
Auto Fire	10	12	12	10	8	16
Theft From Auto	5	12	7	2	8	14
Auto Vandalism	25	3	10	13	20	23
Auto Collision Damage	96	46	35	29	29	25
Auto Fraudulent Bills	5	4	5	7	7	7
Auto Misc.	<u>24</u>	<u>76</u>	<u>23</u>	<u>12</u>	<u>13</u>	<u>25</u>
<b>Auto Unit Totals</b>	<b>263</b>	<b>230</b>	<b>171</b>	<b>133</b>	<b>136</b>	<b>181</b>
Auto I. D. Cards	<u>336</u>	<u>218</u>	<u>160</u>	<u>65</u>	<u>150</u>	<u>179</u>
<b>Auto ID Unit Totals</b>	<b>336</b>	<b>218</b>	<b>160</b>	<b>65</b>	<b>150</b>	<b>179</b>
Workers' Compensation	<u>408</u>	<u>415</u>	<u>527</u>	<u>527</u>	<u>409</u>	<u>494</u>
<b>Workers' Comp Unit Totals</b>	<b>408</b>	<b>415</b>	<b>527</b>	<b>527</b>	<b>409</b>	<b>494</b>
Disability Insurance.	41	14	18	17	14	15
Health Accident Insurance	<u>161</u>	<u>97</u>	<u>65</u>	<u>55</u>	<u>44</u>	<u>42</u>
<b>Medical Unit Totals</b>	<b>202</b>	<b>111</b>	<b>83</b>	<b>72</b>	<b>58</b>	<b>57</b>
No-Fault Auto Insurance	<u>295</u>	<u>132</u>	<u>127</u>	<u>88</u>	<u>62</u>	<u>113</u>
<b>No-Fault Auto Unit Totals</b>	<b>295</b>	<b>132</b>	<b>127</b>	<b>88</b>	<b>62</b>	<b>113</b>
Fire - Residential	53	33	15	11	20	17
Fire - Commercial	17	15	16	5	2	2
Burglary - Residential	34	15	17	21	10	14
Burglary - Commercial	12	9	3	5	2	12
Homeowners	46	27	29	18	22	36
Larceny	22	8	6	4	4	2
Lost Property	4	5	0	0	1	2
Robbery	0	1	2	1	0	1
Bonds	11	8	0	1	0	2
Life Insurance	11	13	17	5	7	22
Ocean Marine Insurance	9	0	5	3	4	3
Reinsurance	0	0	0	0	0	0
Appraisers/Adjusters	18	3	2	4	0	0
Agents	26	26	18	6	12	28
Brokers	19	17	9	11	10	7
Ins. Company Employees	8	3	3	2	3	5
Insurance Companies	2	0	0	0	0	1
Miscellaneous	<u>37</u>	<u>28</u>	<u>28</u>	<u>22</u>	<u>27</u>	<u>27</u>
<b>General Unit Totals</b>	<b>329</b>	<b>211</b>	<b>170</b>	<b>119</b>	<b>124</b>	<b>181</b>
<b>Grand Totals</b>	<b>1,833</b>	<b>1,317</b>	<b>1,238</b>	<b>1,004</b>	<b>939</b>	<b>1,205</b>

<b><u>Cases Opened</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>
<b>Auto Unit Totals</b>	263	230	171	133	136	181
<b>Auto ID Unit Totals</b>	336	218	160	65	150	179
<b>Workers' Comp Unit Totals</b>	408	415	527	527	409	494
<b>Medical Unit Totals</b>	202	111	83	72	58	57
<b>No-Fault Auto Unit Totals</b>	295	132	127	88	62	113
<b>General Unit Totals</b>	<u>329</u>	<u>211</u>	<u>170</u>	<u>119</u>	<u>124</u>	<u>181</u>
<b>Totals</b>	<b>1,833</b>	<b>1,317</b>	<b>1,238</b>	<b>1,004</b>	<b>939</b>	<b>1,205</b>

**Referrals, Cases and Arrests, by Type  
1997 - 2002**

<b>1997</b>	<b><u>Referrals</u></b>	<b><u>Cases</u></b>	<b><u>Arrests*</u></b>
<b>Auto Unit Totals</b>	6,257	263	
<b>Auto ID Unit Totals</b>	402	336	
<b>Workers' Comp Unit Totals</b>	698	408	
<b>Medical Unit Totals</b>	5,548	202	
<b>No-Fault Auto Unit Totals</b>	7,042	295	
<b>General Unit Totals</b>	2,532	329	
<b>GRAND TOTAL</b>			<b>276</b>

<b>1998</b>	<b><u>Referrals</u></b>	<b><u>Cases</u></b>	<b><u>Arrests*</u></b>
<b>Auto Unit Totals</b>	4,984	230	
<b>Auto ID Unit Totals</b>	308	218	
<b>Workers' Comp Unit Totals</b>	661	415	
<b>Medical Unit Totals</b>	2,707	111	
<b>No-Fault Auto Unit Totals</b>	9,659	132	
<b>General Unit Totals</b>	2,141	211	
<b>GRAND TOTAL</b>			<b>371</b>

<b>1999</b>	<b><u>Referrals</u></b>	<b><u>Cases</u></b>	<b><u>Arrests*</u></b>
<b>Auto Unit Totals</b>	4,238	171	
<b>Auto ID Unit Totals</b>	253	160	
<b>Workers' Comp Unit Totals</b>	798	527	
<b>Medical Unit Totals</b>	2,461	83	
<b>No-Fault Auto Unit Totals</b>	9,191	127	
<b>General Unit Totals</b>	1,684	170	
<b>GRAND TOTAL</b>			<b>390</b>

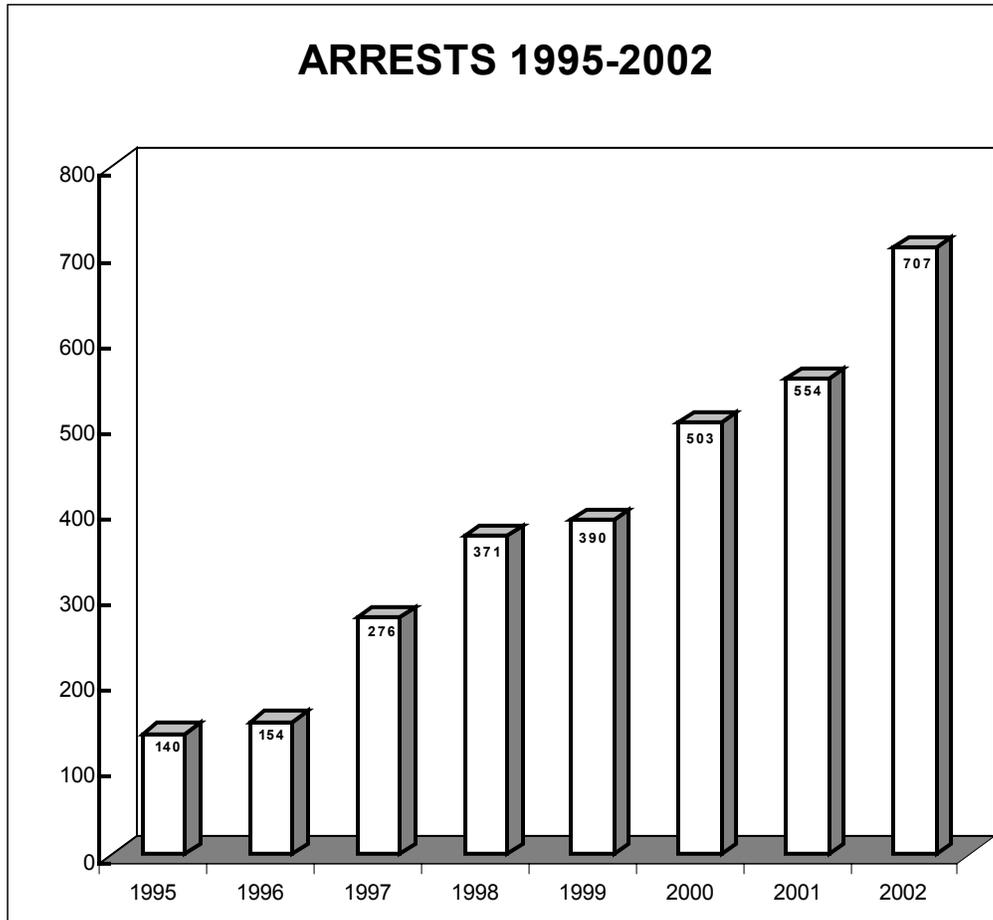
<b>2000</b>	<b><u>Referrals</u></b>	<b><u>Cases</u></b>	<b><u>Arrests</u></b>
<b>Auto Unit Totals</b>	4,228	133	201
<b>Auto ID Unit Totals</b>	302	65	32
<b>Workers' Comp Unit Totals</b>	862	527	108
<b>Medical Unit Totals</b>	2,287	72	36
<b>No-Fault Auto Unit Totals</b>	12,372	88	50
<b>General Unit Totals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

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

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

\* Data for individual units are not available for these years.

**Frauds Bureau Arrests  
1995 - 2002**



## Civil Enforcement Program

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Total Fines Imposed	\$1,410,951.54	\$388,224.06	\$237,758.00	46,232.00
Settlements With IFB	\$230,096.54	\$305,718.06	\$180,013.00	22,995.00
Hearing Determinations	\$1,180,855.00	\$82,506.00	\$57,745.00	23,237.00
Cases*	135	41	32	16

\* Number of Cases in which the Frauds Bureau collected civil penalties or Office of General Counsel imposed civil penalties.

## **Miscellaneous Statistics**

### **A. Technical and Monetary Contributions**

During 2002, the Bureau received \$24,680 from various insurance companies and plea-bargain settlements. These funds were allocated in connection with joint investigations conducted under the supervision of local district attorneys.

### **B. Civil Penalties**

Civil penalties totaling \$203,570 were imposed in 13 cases under Section 403 of the Insurance Law in 2002, and \$3,200 in 8 cases under Section 2133.

**Insurance Frauds Bureau  
Continuing Education Program  
Insurers, Law Enforcement and Department Staff  
2002**

<b>Date</b>	<b>Group</b>	<b>Location</b>	<b>Number of Attendees</b>
12/11/02	Blue Cross/Blue Shield of Rochester	Rochester, NY	22
12/05/02	Atlantic Insurance Companies Group	Morristown, NJ	19
12/04/02	New York Anti Car Theft & Fraud Association	Pomona, NY	130
11/26/02	Greater Woodhaven Development Corp.	Woodhaven, NY	31
11/21/02	NYPD Community Council	New York, NY	45
11/21/02	NYPD Community Council	New York, NY	30
11/19/02	Belle Harbor Owners' Association	Rockaway, NY	30
11/14/02	Community Board #8	Brooklyn, NY	52
11/13/02	Blue Cross & Blue Shield of Rochester	Rochester, NY	25
11/04/02	Jackson Heights Neighborhood Association	Jackson Hts., NY	45
11/01/02	South Bronx Job Corps	Bronx, NY	35
10/31/02	Atlantic Insurance Companies Group	Morristown, NJ	19
10/29/02	Howard Beach Civic Association	Howard Beach, NY	35
10/29/02	Community Board #15	Brooklyn, NY	95
10/24/02	Community Board #12	Bronx, NY	52
10/22/02	Community Board #19	Brooklyn, NY	43
10/21/02	NYS Office of Fire Prevention & Control	Montour Falls, NY	30
10/17/02	Community Board #8	Bronx, NY	8
10/17/02	NYPD Community Council	Brooklyn, NY	90
10/16/02	Young Israel of Wavecrest Senior League	Rockaway, NY	9
10/16/02	Woodhaven Association	Jamaica, NY	28
10/16/02	Kiwanis Club	Stamford, NY	10
10/16/02	Rotary Club	Worcester, NY	12
10/15/02	NYPD Midtown North Community Council	New York, NY	25
10/15/02	Community Board #3	Staten Island, NY	8
10/15/02	NYPD Community Council	Brooklyn, NY	63
10/10/02	Community Board #14	Brooklyn, NY	11
10/08/02	Breezy Point Golden Age Club	Rockaway, NY	145
10/02/02	NYPD Community Council	Bronx, NY	48
10/02/02	Hammel Senior Center	Rockaway, NY	15
09/25/02	NYPD Community Council	Rockaway, NY	210
09/24/02	NYPD Community Council	Astoria, NY	65
09/24/02	Community Board #11	New York, NY	62
09/21/02	Recruit Police Officers School – Monroe Cty. Sheriff's Dept./DA's Office and Holley PD	Rochester, NY	29
09/20/02	Hereford Insurance Company Claims Staff	L. I. City, NY	23
09/18/02	Far Rockaway Senior Center	Far Rockaway, NY	38

09/17/02	NYPD Community Council	New York, NY	42
09/17/02	NYPD Community Council	Elmhurst, NY	70
09/16/02	OneBeacon Insurance Company	Rochester, NY	10
09/12/02	Forest Park Senior Center	Woodhaven, NY	45
09/11/02	United Hindu Council Senior Center	Ozone Park, NY	55
09/10/02	Community Board #3	Bronx, NY	40
09/06/02	New York Auto Insurance Plan SIU	New York, NY	4
09/04/02	NYPD Community Council	Brooklyn, NY	41
08/08/02	NIAC Anti-Fraud Task Force	Boston, MA	107
07/26/02	NYS Crime Prevention Coalition	Binghamton, NY	38
07/01/02	Precinct Community Council Presidents	Brooklyn, NY	34
06/25/02	NY Anti Car Theft & Fraud Association	Niagara Falls, NY	62
06/14/02	NYS Office of Fire Prevention & Control	Montour Falls, NY	25
06/13/02	American Arbitration Association/No-Fault Arbitrators	New York, NY	62
06/07/02	American Arbitration Association/No-Fault Arbitrators	New York, NY	102
05/21/02	NYS Office of Fire Prevention & Control	Montour Falls, NY	20
05/30/02	IFB Frauds Conference	New York, NY	200
05/10/02	NYPD Auto Crime Training School	Queens, NY	26
04/30/02	NYS Attorney General's Office	New York, NY	13
04/22/02	NYS Insurance Department/Health Examiner Trainees	New York, NY	51
03/26/02	Suffolk County District Attorney's Office	Hauppauge, NY	42
03/25/02	NYS Office of Fire Prevention & Control	Montour Falls, NY	30
03/25/02	NYPD/Patrol Borough Manhattan North	New York, NY	63
03/20/02	NYPD Police Academy Recruits	New York, NY	1,450
03/05/02	Town of Southampton Police Department	Hampton Bays, NY	20
02/26/02	Town of Southampton Police Department	Hampton Bays, NY	21
02/25/02	Town of Southampton Police Department1	Hampton Bays, NY	24
02/13/02	Chartered Property/Casualty Underwriters	Rochester, NY	32
02/12/02	Town of Southampton Police Department	Hampton Bays, NY	24
02/08/02	NYC Board of Education/Office of Special Commissioner of Investigations	Uniondale, NY	14
02/07/02	Suffolk County District Attorney's Staff/ Various Insurer SIU Staff	New York, NY	69
02/07/02	NYC Board of Education/Office of Special Commissioner of Investigations	Uniondale, NY	14
02/06/02	NYC Board of Education/Office of Special Commissioner of Investigations	Uniondale, NY	14
02/05/02	Town of Southampton Police Department	Southampton, NY	20
02/02/02	Intern'l. Association of Arson Investigators	Auburn, NY	90
02/01/02	NYC Board of Education/Office of Special Commissioner of Investigations	Uniondale, NY	14
01/31/02	NYC Board of Education/Office of Special Commissioner of Investigations	Uniondale, NY	14

<b>01/30/02</b>	<b>NYC Board of Education/Office of Special Commissioner of Investigations</b>	<b>Uniondale, NY</b>	<b>14</b>
<b>01/22/02</b>	<b>NYS Taxi &amp; Livery Advisory Committee</b>	<b>New York, NY</b>	<b>75</b>
<b>01/14/02</b>	<b>NYS Office of Fire Prevention &amp; Control</b>	<b>Montour Falls, NY</b>	<b>27</b>
<b>TOTAL GROUPS 76</b>		<b>PARTICIPANTS 4,755</b>	

**Approved Fraud Prevention Plans – as of  
12/31/02**

Aetna	Eveready
AFLAC	Excellus
Agway	Farm Family
AIG	FICO
Allianz/Preferred	Fireman’s Fund
Allmerica Financial	First Ameritas
Allstate	First Fortis
Allstate Life	First Rehabilitation
Amalgamated Life	First Reliance
American Banker	First United American
American General-US Life	GE Auto and Home Assurance Company (Colonial Penn)
American Medical	GEICO Direct
American Progressive	Gerber
American Transit	GHI
AmeriChoice	Great American
AMEX Assurance	Great Western
Amica	Guardian
Anthem Blue Cross & Blue Shield	Harleysville
Atlantic Casualty	Hartford Life
Atlantic Mutual	Health First
AUSA	HealthNow-BC/BS of Western New York
AutoOne Insurance (Part of OneBeacon)	Highlands
Balboa	HIP Health
Blue Ridge	Horizon
Capital District Physicians	Hudson
Central Mutual-All America	IDS Life
Chubb Group	Independent Health
CIGNA	Infinity/Leader
CIGNA (ACE USA)	Integrity-Plus (Empire Plan)
CIGNA –INA Life	Interboro
Cincinnati	ITT Hartford
Clarendon	John Hancock
CNA	Kemper
Combined Life	Lancer
<b>Conseco</b>	Legion
Country-Wide	Liberty Mutual
Crum & Forster	Mass Mutual
CUNA Mutual	Massachusetts Casualty
Dairyland	MDNY
Delta Dental	Merchants Business Men
Electric Insurance	<b>Merchants Insurance</b>
Empire Plan Blue Cross Blue Shield	MetLife
Erie Insurance	

MetLife –Property	PSM
Michigan Millers	Reliaster Life
MSI Mutual	Response
Mutual of Omaha	Robert Plan
MVP Health	Royal and SunAlliance
National Benefit Life	Safeco
National General	SBLI
National Grange Mutual	Security Mutual
Nationwide	Selective Insurance
New York Central Mutual	St Paul
New York Life	Standard Security
Nippon Life – Principal Life	State Farm
North Star	State Insurance Fund
Northwestern Mutual	State-Wide
Nova	Sun Life
Ohio Casualty	Teachers
OneBeacon	TIG
Oxford Health	Travelers
Peerless	Tri-State Consumer
Phoenix American Life	Trustmark
Physicians Health (Health Net of the North East)	Unicare-Wellpoint
Preferred Care	Union Fidelity
Preferred Mutual	Union Labor Life
Princeton Insurance	United Healthcare of NY (Integrity Plus)
Principal Life	USSA
Progressive Casualty	Utica Mutual
Provident	VYTRA
Provident Washington	WellCare
Prudential Insurance	Windsor
	XL Specialty Insurance
	Zurich

**Insurance Frauds Bureau Staff – December 31, 2002**

**NEW YORK CITY OFFICE**

Director

Deputy Director

1 Chief Investigator  
1 Principal Investigator  
6 Associate Investigators  
8 Senior Investigators  
8 Investigators

1 Principal Insurance Examiner  
1 Senior Insurance Examiner  
2 Insurance Examiners

1 Senior Training Officer

1 Frauds Bureau Counsel

1 Assistant Director of Research

1 Secretary I

1 Calculations Clerk 2

4 Keyboard Specialists

**ALBANY OFFICE**

4 Investigators

**BUFFALO OFFICE**

2 Senior Investigators

**ROCHESTER OFFICE**

1 Senior Investigator  
1 Investigator

**SYRACUSE OFFICE**

1 Associate Investigator  
2 Investigators

**ONEONTA OFFICE**

1 Senior Investigator  
3 Investigators

**MINEOLA OFFICE**

1 Associate Investigator  
4 Senior Investigators  
3 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**

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

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### **BUFFALO OFFICE**

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

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### **ROCHESTER OFFICE**

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

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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**

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

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### **MINEOLA OFFICE**

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