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INSURANCE DEPARTMENT
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Eliot Spitzer
Governor

Eric R. Dinallo
Superintendent

January 15, 2008

To the Governor and the Legislature:

I am pleased to submit the Annual Report of the Superintendent of Insurance on the operations of the Insurance Frauds Bureau and an assessment of the insurance industry's anti-fraud efforts for calendar year 2007. Over the past year, the Bureau continued its longstanding tradition of working closely with law enforcement agencies and industry to aggressively combat insurance fraud throughout New York State.

I am pleased to report that Frauds Bureau investigations led to 708 arrests for insurance fraud and related crimes during 2007, an increase from 604 arrests in 2006. The Bureau focused much of its efforts on investigation of complex insurance fraud schemes, including the submission of fraudulent no-fault claims by medical clinics, and the fraudulent procurement of insurance in the commercial vehicle industry.

In 2007, the Bureau also devoted considerable resources to investigation of workers' compensation fraud, in tandem with last year's overhaul of the workers' compensation system. Bureau investigations of employers who fraudulently obtained lower premiums by under-reporting their payroll, and of workers who received disability benefits while secretly working second jobs, led to 149 arrests.

The Bureau looks forward to a dynamic and productive upcoming year, led by a new management team and energized by the creation of a Major Case Unit. The Unit will focus on systemic and complex insurance fraud schemes and complement the Bureau's ongoing efforts to combat insurance fraud.

Sincerely,

Eric R. Dinallo
Superintendent of Insurance

The Annual Report
to the Governor
and the Legislature
of the State of New York
on the Operations
of the Insurance Frauds Prevention Act

(Article 4 of the Insurance Law)

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I. Insurance Frauds Bureau 2007 Highlights

The Frauds Bureau gained new leadership with the appointments of Steven Nachman as Deputy Superintendent for Frauds and Consumer Services, Frank Orlando as Director of the Frauds Bureau and Angelo Carbone as Deputy Director.

The Frauds Bureau established a Major Case Unit that will begin operations in 2008. The Unit will focus on the investigation of systemic insurance fraud involving organized conspiracies. Unit investigators will handle complex cases involving no-fault, commercial rate evasion, health care fraud and workers' compensation premium fraud.

Investigations by the Frauds Bureau resulted in 708 arrests during 2007 versus 604 in 2006.

Frauds Bureau investigators attended a meeting in March at the Westchester County DA's Office at which more than \$2 million in restitution was distributed to victims of a medical mill fraud in Tuckahoe, NY. The clinic was shut down in October 2005 and since that time 37 doctors and clinic employees were convicted on charges including insurance fraud, enterprise corruption and grand larceny.

In June, a third suspect was arrested in an arson case in which a father and son were previously arrested – the son on 12/13/06 and the father on 3/2/07 – for their roles in an arson fire at a vacant factory owned by the father. The son confessed to setting the blaze, claiming he acted alone. However, the father was subsequently implicated.

The owner of a Queens limousine service and two chop-shop owners were arrested in September for their participation in an auto-theft ring. Thirteen others have also been charged, the most recent on 11/6/07, bringing to 16 the number of suspects arrested in this case. Ring members allegedly stole high-end cars, transported them to the chop shop where they were dismantled. The parts were used to maintain the fleet owner's cars.

Twenty-six suspects were arrested in December as a result of a sting operation targeting car thieves on Long Island and in the New York Metropolitan Area. In addition, 92 vehicles with a Blue Book value of more than \$1 million were recovered. Investigators worked undercover as operators of a garage where they purchased the stolen cars from the suspects.

The co-owners and operators of a scrap yard in Niagara Falls were arrested in December and accused of stealing vehicles and crushing or dismantling them for scrap. A search warrant executed in September at the scrap yard and the home of one of the defendants turned up a .22 caliber rifle and \$22,000 in cash. Business records were also confiscated as evidence.

II. The Insurance Frauds Bureau

A. New Leadership

The Frauds Bureau gained new leadership in 2007 when Superintendent Dinallo named Steven Nachman as Deputy Superintendent for Frauds and Consumer Services, overseeing the Bureaus handling fraud investigations, consumer complaints and licensing. Deputy Superintendent Nachman joined the Department from the Liquidation Bureau where he was Assistant Special Deputy Superintendent and Chief Compliance Officer. Prior to that, he headed the Auto Insurance Fraud Unit from 2001 to 2007 as Assistant Attorney General in the New York State Attorney General's Office.

The Superintendent also named Frank Orlando as Director of the Frauds Bureau and Angelo M. Carbone as Deputy Director. As Director, Mr. Orlando will oversee all operations of the Bureau, which is staffed by investigators and support personnel in the Bureau's New York City headquarters and six other offices across the State.

Prior to joining the Insurance Department, Mr. Orlando served with the Office of the New York State Attorney General, where he was Deputy Chief of the Auto Insurance Fraud Unit and previously a Supervising Investigator. He served for 20 years with the New York City Police Department, where he was assigned to the Intelligence Division Dignitary Protection Unit/Threat Assessment Unit and the Department's Organized Crime Control and Internal Affairs Bureaus. He graduated from Saint Joseph's College with a degree in Organizational Management.

Deputy Director Carbone conducted numerous fraud investigations and undercover operations as an investigator with the Frauds Bureau since 2005. Before coming to the Department, he served with the New York City Police Department for 20 years. As Commanding Officer of the NYPD's Fraudulent Accident Investigation Squad-South, he led investigations into all aspects of insurance fraud, including no-fault and staged accident rings, as well as identity theft cases. He attended Stony Brook University.

The Frauds Bureau is responsible for investigating cases of suspected fraud and mounting vigorous anti-fraud activities. Bureau staff work closely with other state, federal and local law enforcement agencies and prosecutors. With new leadership in place and a dedicated professional staff, the Bureau looks forward to the coming year with energy and enthusiasm.

B. Team Building

Continued team building was high on the Bureau's agenda during 2007. Our investigators worked closely with law enforcement agencies at every level in the development and investigation of our cases.

Multi-Agency Investigations – The Frauds Bureau's continued efforts to work closely with its fraud-fighting partners in law enforcement and industry reflect the Bureau's Statewide approach to combating insurance fraud. During 2007, Bureau investigators joined forces with District Attorney's Offices across the State on a wide range of insurance fraud investigations.

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

In addition, the Arson Unit worked closely with the Auto Fraud Unit of the FDNY's Bureau of Fire Investigation and the NYPD's Arson Explosion Squad, as well the Bureau of Alcohol, Tobacco, Firearms and Explosives. The Unit also acts as a liaison with the New York State Office of Fire Prevention and Control, as well as local arson units and fire departments across the State.

- **Task Force/Working Group Participation** – The Frauds Bureau is an active participant in numerous task forces and working groups designed to foster cooperation among the many agencies in the State that share common goals. Participation provides the opportunity for information sharing, networking and honing investigative skills. Among the groups in which Bureau staff participated during 2007 are the following:

Nassau County Auto Insurance Fraud Task Force
Western District of New York Health Care Task Force
Capital District Auto Crime Task Force
Central New York Health Care Fraud Working Group
Monroe County Auto Crime Task Force
Rochester Arson Task Force
City of Albany Arson Task Force
Joint Arson Task Force of New York State
New York Health Care Fraud Task Force (See **Section V. B.** for more information.)
Motor Vehicle Theft and Insurance Fraud Prevention Board (DCJS)
High Intensity Drug Trafficking Area (HIDTA)
High Intensity Financial Crimes Area (HIFCA)
Upstate New York Regional Intelligence Center (UNYRIC)

III. Operational Overview

A. Administration

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

B. The Staff

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

Bureau staff consists of 36 investigators, organized into eight specialized units: Arson, General, Medical, No-Fault, Auto, Workers' Compensation, Upstate and a newly established Major Case Unit. (See **Section V. A.** for more information about the Major Case Unit.) Each unit is supervised by a Deputy Chief Investigator. General oversight of the investigative staff is the responsibility of the Chief Investigator with the assistance of two Assistant Chief Investigators.

The Bureau also has a Training Officer who is responsible for in-service and firearms training for all investigative staff, as well as conducting training sessions for law enforcement agencies and industry groups. The Training Officer reports to the Chief Investigator.

In addition, the Bureau has a unit that includes a Senior Examiner and an Examiner who report to a Principal Examiner. The Bureau also has four support staff members who report to the Secretary to the Director.

C. Investigations

The Frauds Bureau received 22,079 reports of suspected fraud in 2007. Of that total, 21,337 were received from licensees required to submit such reports to the Department, and 742 were received from other sources, such as consumers and anonymous tips. A total of 1,072 new cases were opened for investigation during the past year. At the same time, investigations continued in numerous cases opened in prior years.

During 2007, the Bureau referred 388 cases to prosecutorial agencies for criminal prosecution and another 9 for civil settlement or referral to the Department's Office of General Counsel for civil proceedings. Tables showing the number of fraud reports received, investigations opened and arrests by type of fraud appear in the Appendices to this Report.

D. Arrests

Frauds Bureau investigations led to 708 arrests for insurance fraud and related crimes during the past year. That figure compares with 604 in 2006. Many of these investigations dealt with sophisticated conspiracies involving medical clinics, physicians and other health care professionals and attorneys. In one such case, a medical clinic operator in Buffalo pled guilty in February 2007 for his role in a staged accident fraud scheme. An arrest sweep that took place in New York City and in the Buffalo-Niagara region netted 30 suspects accused of participating in a series of staged accidents in Western New York in which the drivers and several passengers in each car falsely claimed they were injured and sought medical treatment at clinics that were involved in the scheme. In some cases, the suspects who claimed injury were hundreds of miles away in Brooklyn at the time of the alleged accidents. As part of his plea, the clinic operator also

confessed to conspiracy to possess and distribute more than 300 grams of cocaine from April 2003 to May 2004. Prosecutors said he sold cocaine to an FBI agent on several occasions.

E. Restitution/Civil Penalties

In 2007, 147 persons were directed to pay almost \$20.0 million in court-ordered restitution and individuals in 6 cases made voluntary restitution amounting to \$31,723 during the year. In another 10 instances, insurers saw savings of nearly \$341,843 in connection with fraudulent claims under investigation by Frauds Bureau staff. In addition, civil penalties totaling \$553,100 were imposed in 8 cases under Section 403 of the Insurance Law.

F. Training

Investigators new to the Bureau participate in an Entry-Level Training Program developed and administered by the Bureau's Training Officer to address the needs of new investigators. The Training Officer also conducts an In-Service Training Program for all investigative staff members. Both programs comply with the standards and curriculum established for professional police officers by the Bureau of Municipal Police of the New York State Division of Criminal Justice Services. Frauds Bureau investigators are seasoned professionals with extensive law enforcement experience and often exceed these high standards of performance.

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

In addition, on January 16 through 19, 2007, downstate investigators took part in a training session in "Law Enforcement Officers Flying Armed," conducted by the Bureau's Training Officers. This training is federally mandated for law enforcement officials who are called upon to travel while armed, for example, to extradite a prisoner. Upstate investigators participated in this training in October 2006.

The Training Officer and other members of the investigative staff provide training for local police and fire units, prosecutors, insurers and others throughout the year. Four training sessions were conducted at the New York City Police Academy during 2007, which were attended by 2,100 recruits. Because police officers are often the first responders to auto accidents and other emergency situations, the Bureau pays special attention to the training of police recruits. The Bureau is keenly aware that their ability to recognize insurance fraud can be critical to an investigation. A complete list of the groups for which Frauds Bureau investigators provided training during 2007 appears in the Appendices to this Report.

G. Continuing Education

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

During 2007, Bureau staff took advantage of many of the educational opportunities available through the New York State Academy of Fire Sciences, the New York Anti Car Theft and Fraud Association, the Federal Emergency Management Association and the Mid-Atlantic Great Lakes Organized Crime Law Enforcement Network, among others. Moreover, the Insurance Department offers an annual course in defensive driving that is available to all Department employees but is required every three years for the investigative staff.

H. 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) to be responsible for the investigation of cases of suspected fraud and for implementation of fraud prevention and reduction activities. At year-end 2007, there were 140 Plans on file. A complete list of insurers with Plans on file as of 12/31/07 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 and methods by which the public can prevent it. The programs must be geared to reach a wider audience than an insurer's policyholders and applicants. In an effort to achieve that goal, the New York Alliance Against Insurance Fraud, a coalition of more than 100 insurers that write property/casualty, life, health and disability insurance in New York State, carries out advertising campaigns using newspapers, radio, television and billboards to target insurance consumers. In addition, several individual companies have ongoing programs to heighten awareness and reduce public tolerance for insurance fraud. As a result, these anti-fraud messages reach millions of New Yorkers during the course of the year. In addition, the Bureau has a frauds hotline (1-888-FRAUDNY) and consumers are encouraged to report suspected insurance fraud. Calls to the hotline averaged 49 a week during 2007.

I. Civil Enforcement

Section 403 of the New York Insurance Law, passed by the Legislature and signed into law by the Governor in 1992, authorizes the Insurance Department to impose civil penalties of up to \$5,000 plus the amount of the claim on individuals who commit fraudulent insurance acts. In addition, under the provisions of Section 2133 of the Insurance Law, the Department is permitted to levy a fine of up to \$1,000 for possession of a fraudulent automobile insurance identification card and up to \$5,000 for each additional card possessed. These provisions of the Insurance Law give the Bureau the authority to impose sanctions in cases where the monetary

value is not sufficient to justify criminal prosecution, or in which the extremely high burden of proof required in criminal cases cannot be met.

IV. The Year in Review

A. Major Cases

Multi-agency investigations lead to a significant number of arrests in any given year and 2007 was no exception. However, not to be overlooked are the numerous arrests that resulted from the day-to-day investigations conducted by Frauds Bureau investigators. Below are summaries of some of the Bureau's 2007 cases.

January

ARREST SWEEP NETS TEN

- A seven-month joint investigation by the Frauds Bureau, the Queens DA's Office, the State Insurance Fund and the Workers' Compensation Board Inspector General's Office resulted in the arrest of ten suspects in a workers' compensation fraud totaling more than \$110,000. Most of the defendants were accused of collecting workers' compensation benefits while they were employed. In one instance, a former employee of the New York City Housing Authority began collecting benefits after he sustained a work-related injury in 1983. However, he failed to inform the Workers' Compensation Board that he took a job in the construction industry in 2003. During 2003 and 2004, he collected \$19,365 to which he was not entitled. Another suspect in this case, an independent contractor, submitted a fraudulent Certificate of Insurance in order to obtain a job installing floors. The Certificate falsely stated that he had workers' compensation insurance to cover his employees when, in fact, no such coverage existed.

STEAL AND BURN

- On 10/2/06, the Buffalo Police Department contacted the Frauds Bureau about a confidential informant who had come forward and admitted stealing a 1998 Chrysler Town and Country Van which he turned over to the police. He stated that suspect #1 in this case had offered him \$100 to steal and burn the car which belonged to his uncle who is suspect #2. Investigators provided the confidential informant with a body wire. He then met with the two suspects and audio-taped a conversation in which they discussed the agreement for the confidential informant to dispose of the car. Both suspects were arrested following the investigation.

February

INTERNET FRAUD

- An investigation into Internet drug sales by the Albany County DA's Office, working with the Frauds Bureau, the New York State Health Department and drug enforcement officials, the Florida Attorney General's Office, the U.S. Justice Department and the IRS, led to the arrest of four suspects with ties to a pharmacy in Orlando, FL., that did an estimated \$6 million in business in New York State during 2006. Arrested during a raid on the pharmacy were the husband and wife who co-owned the business, the husband's pharmacist brother,

and the company's marketing director. The pharmacy allegedly filled prescriptions for steroids and human growth hormones via the Internet in order to exploit federal and state prescription drug laws. New York has some of the strictest drug laws in the country. The prescriptions were submitted by doctors, some of whom were not licensed, who did not even know their "patients." More suspects, including doctors, pharmacists and business owners, are expected to be arrested in this ongoing investigation.

HARDLY DISABLED

- Based on a report of suspected fraud submitted by the State Insurance Fund, the Frauds Bureau initiated an investigation into the activities of a disabled former New York State Correction Officer now living in Florida. The suspect was awarded permanent partial disability benefits on 11/18/98, following an injury on the job. A Frauds Bureau investigator traveled to Florida where further investigation revealed that the suspect owned and operated a business that took in an annual gross income of more than \$1 million. Over the years between 1998 and his arrest on 2/22/07, he collected more than \$100,000 in benefits to which he was not entitled. When confronted with the evidence, the suspect provided a signed statement admitting to the fraud. The investigation was conducted with the assistance of the Florida State Attorney General's Office and the Florida Division of Insurance Fraud.

IDENTITY THEFT

- On 9/15//06, a car insured by GEICO Insurance Company struck another car in the City of Rochester. The driver fled the scene but witnesses provided the license plate number of the fleeing vehicle to the Rochester Police Department. Subsequently, a woman purporting to be the owner of the car reported to GEICO that the car had been stolen on a date prior to the hit-and-run accident. However, an investigation by the Frauds Bureau, the Rochester Police Department's Auto Theft Unit and GEICO's SIU found evidence that the owner of the car in question was dead. Her granddaughter had assumed her identity and registered and insured the car with GEICO. In written statements to the insurer, the defendant represented herself as her grandmother. She eventually confessed to identity theft and to filing a fraudulent damage claim.

March

RESTITUTION

- The Westchester County DA's Office called a meeting for 3/21/07 at which more than \$2 million in restitution money collected during the prosecution of Elm Street Medical Mill in Tuckahoe, NY, was distributed to victims of the fraud. Over a five-year period, Elm Street Medical submitted more than \$12 million in fraudulent claims for expensive procedures that were never rendered on behalf of "patients" who had not been involved in auto accidents. The clinic was shut down in October 2005 after a three-year investigation by the Frauds Bureau, the State Police, the New Jersey Attorney General's Office, the NYPD, the Yonkers and Westchester County Police Departments, the National Insurance Crime Bureau and numerous insurers. Since that time, 37 of 38 Elm Street doctors and employees were convicted on charges including insurance fraud, enterprise corruption and grand larceny. In addition to criminal sentences, six of the physicians lost their medical licenses. Another \$169,000 in restitution is expected to be paid by two defendants during their probation.

A FAMILY AFFAIR

- Four members of a Rochester family, including grandparents, son and grandson, and the son's girlfriend, were arrested during a drug buy involving \$8,000 worth of Oxycontin. They were each charged with multiple counts of conspiring to possess with intent to distribute and distributing pain medication. They also allegedly knowingly committed health insurance fraud by obtaining insurance payments for prescription drugs that were intended to be sold illegally. A task force consisting of special agents from the FBI and investigators from the Frauds Bureau and the New York State Department of Health participated in this ongoing investigation.

THE BAND PLAYED OUT

- A Geneva, NY, clerical worker filed a claim with Wayne Cooperative Insurance Company in support of her initial report that on or about 7/11/05 someone broke into her summer residence and stole \$23,560 worth of musical instruments. The claim included an inventory of the stolen instruments which she stated she had purchased in cash from a local music shop over a seven-month period prior to the loss. The instruments were kept at the summer home so that her boyfriend's son and his band could practice there. However, during an investigation by the Frauds Bureau, the owner of the music shop provided a written statement informing investigators that he had not sold any of the instruments to the defendant. In fact, the owner had never carried some of the inventoried instruments at his shop.

April

NO COVERAGE

- Insurance agent Jeffrey J. Burton pleaded guilty on 1/25/07 to felony 1st degree falsifying business records for collecting auto insurance premiums from about 19 clients and failing to forward them to an insurer. An investigation by the Frauds Bureau, the Fulton County DA's Office and the Department of Motor Vehicles began in the summer of 2005 after close to 40 clients complained to the DMV that their insurance had been cancelled for nonpayment of premiums in spite of the fact that they had made regular payments to the agent. A search warrant was executed by the Gloversville Police Department and he was arrested on 1/24/06. In October 2006, the Insurance Department revoked the licenses of Jeffrey Burton and the Burton Agency. He was sentenced on 4/30/07 to five years' probation and court-ordered restitution of \$1,120.

OH, DEER

- A self-employed laborer reported to New York Central Mutual Fire Insurance Company that his car struck a deer, causing the car to roll over and incur extensive damage. The insurer paid out \$7,000 for the loss. However, an investigation by the Frauds Bureau turned up evidence that the defendant was not driving the car at the time of the accident. Investigators suspect that the driver was a family member who has had his license suspended numerous times for violations. The operator who towed the car to his shop took photos of the car, none of which showed signs that a deer was involved in the accident. It seems that the defendant did not have collision coverage on the car so in order to have the damage covered by his insurer, he planted deer hair on the car to make it appear that he had hit a deer.

BORROWED EQUIPMENT

- An investigation by the Frauds Bureau and the Monroe County Sheriff's Office led to the arrest of two men accused of participating in a homeowners insurance fraud scheme. Defendant #1 borrowed approximately \$3,500 worth of sound equipment from a local community center. But the equipment was subsequently stolen when his car was broken into on 8/22/06. He was liable for repaying the center but had no money to do so. Defendant #2 in this case, a friend who worked at the center, created a bogus receipt for the purchase of the equipment using the center's letterhead which defendant #1 then included in support of a claim that he submitted to Nationwide Insurance Company against his parents' insurance policy. On 3/27/07, he gave a voluntary written statement to investigators admitting the fraud. On 4/3/07, he surrendered at the Sheriff's Office and was charged with insurance fraud in the 4th degree and criminal possession of a forged instrument in the 2nd degree. On 3/29/07, defendant #2 provided a voluntary oral confession and on 4/4/07, he surrendered and was charged with forgery in the 2nd degree and criminal possession of a forged instrument in the 2nd degree.

May

A LONG WAY TO JACKSONVILLE

- On 11/18/06, a Rochester resident reported that his 2002 Mercury Mountaineer was stolen from a local street. He filed a claim with GEICO Insurance Company for the loss and included supporting documents. However, on 1/27/07, the car was recovered in a parking lot in Jacksonville, FL. An examination of the car conducted during an investigation by the Frauds Bureau, the Rochester Police Department's Auto Theft Unit and GEICO's SIU turned up MapQuest directions from the suspect's home to the Jacksonville parking lot, as well as documents indicating air transportation for one passenger from Jacksonville to Rochester. When confronted with the evidence, the suspect confessed to the attempted fraud.

STOLEN IDENTITY

- The defendant in this case falsely represented himself to Allstate Insurance Company as a policyholder of that insurer who had had his 2003 Ford pickup truck stolen on 6/30/06. He also intercepted mail intended for the Allstate policyholder and submitted written statements to the insurer purporting to be the insured. He allegedly intended to also intercept a \$30,000 check issued by Allstate to the actual insured for the theft of his car. An investigation by the Frauds Bureau, the Rochester Police Department's Field Investigative Services and Allstate's SIU led to the arrest.

A KEY'S THE KEY

- The defendant in this case reported her car stolen at 10:20 p.m. on 3/21/07, stating that she had last seen it at 9:00 p.m. the night before parked near her home on Staten Island. She further stated that she was in possession of all keys to the vehicle. However, the car was recovered by the FDNY on fire in Brooklyn at 12:38 a.m. on 3/21/07, hours before she claimed to have last seen it parked on Staten Island. An investigation by the Frauds Bureau and the FDNY's Fire Marshals revealed that the car's column and the ignition were not compromised and the transmission was undefeated, leading to the conclusion that the car

could not have been driven without a key. The suspect was subsequently arrested and charged with insurance fraud, petit larceny and falsifying business records.

June

PHONY INSURANCE

- Ian Stuart-Smith pleaded guilty on 6/3/07 to selling more than \$8 million in bogus insurance policies to hard-to-insure bars and restaurants. Stuart-Smith was extradited from Canada to the U.S. in March and was held in New York's Metropolitan Correctional Center until his trial. He posed as a New York wholesale insurance broker authorized to sell insurance for various underwriters such as Lloyd's of London and operated several purported brokerages in New York and Ontario, Canada. A San Francisco man with ties to Stuart-Smith was sentenced early in March to ten years in prison and ordered to pay more than \$13 million in restitution and forfeitures. Stuart-Smith faces eight-to-ten years in prison. The Frauds Bureau and the U.S. Postal Inspection Service conducted the investigation that led to his arrest.

ARSON

- On 6/11/07, a third suspect was arrested in an arson case in which a father and son were previously arrested – the son on 12/13/06 and the father on 3/2/07 – for their roles in an arson fire at a vacant five-story factory owned by the father. The fire occurred on 11/12/06. This third suspect is the son's wife who was charged with criminal facilitation and forgery for her part in the fraud. The son confessed to setting the blaze by pouring gas and kerosene on pallets inside the building and lighting them. These actions created grave risk to emergency services personnel and those residing in close proximity to the factory. Several nearby homes and a high-rise apartment building with several elderly tenants had to be evacuated. The case, which was investigated by the Frauds Bureau, the Oneida City Police and Fire Departments, the Madison County DA's Office, the Madison County Multi-Agency Task Force, the State Police, the Madison County Sheriff's Department and the New York State Office of Fire Prevention and Control, received wide media attention. On 5/10/07, the son pleaded guilty to arson in the 3rd degree in Madison County Court.

THE BOYFRIEND

- On 5/31/06, the owner of a liquor store submitted an application for health insurance to Preferred Care for an employee at the store. The employee had been in a motorcycle accident on 5/9/06 and sustained \$20,000 in medical bills. The store owner requested that the insurer back date the policy to 5/1/06, stating that the employee had worked at the shop prior to that date. However, Frauds Bureau investigators obtained payroll and tax records indicating that the person in question was never an employee at that shop. Further, other employees of the business stated during interviews that this person was the store owner's boyfriend, not an employee. On 6/5/07, the defendant surrendered herself to the State Police in Rochester and was charged.

July

AIN'T LOVE GRAND

- A joint investigation conducted by the Frauds Bureau, the Niagara County DA's Office, the North Tonawanda Police Department and New York Central Mutual Insurance Company's SIU resulted in the arrest of an upstate nurse accused of no-fault fraud. On 11/17/06, the suspect received treatment for a fractured wrist at the hospital where she was employed. A month later, she filed a no-fault application with New York Central stating that she had driven her boyfriend's mother's car to the grocery store. The application further stated that when she returned to her boyfriend's mother's house, she fell out of the car, fracturing her wrist. However, the investigation revealed that the injury she sustained on 11/17/06 was the result of a fight she had had with her boyfriend.

NO RECOVERY

- A self-employed contractor reported that a grapple was stolen from an excavator that he owned. He subsequently submitted a claim that included a sales contract indicating that he had paid \$17,000 for the grapple. An investigation by the Frauds Bureau, the State Police and the Rochester Police Department uncovered evidence that the grapple, worth about \$7,000, had been included in the cost of the excavator, and the sales contract was fraudulent. When interviewed, the suspect admitted to investigators that he had altered the contract. The grapple was never recovered.

FICTITIOUS COMPANY

- An investigation by the Frauds Bureau and the U.S. Postal Inspection Office resulted in the arrest of a former insurance agent on charges that he ran a phony insurance scheme that victimized 240 people. His arrest stems from an investigation initiated in 2003 when the Department was contacted by a Dutchess County woman, who incurred \$50,000 in medical expenses resulting from complications during a pregnancy. She told the Department's Consumer Services Bureau she was unable to have the expenses paid through the insurance she purchased from the suspect in this case. She was subsequently forced to file for bankruptcy. At the same time, MVP Health Care, a health maintenance organization in Schenectady, reported suspected irregularities in numerous applications it had received from the suspect. Investigators found that applications from four different individuals contained the same handwriting and that suspicious alterations appeared to have been made on several applications. In addition, a large number of applicants were identified as "management" employees for the same organization, Professional Employees Management Corporation (PEMC), a company later determined to be fictitious. The suspect solicited business from retirees, small business owners and others on the basis that they could obtain less costly insurance through the small group plan he purportedly operated. However, a review of the suspect's records revealed that his customers were actually paying more than they would have paid through other insurance plans and that they were overcharged by a total of \$76,747. In addition, the suspect was charging customers a \$12 monthly union fee. These customers were not members of a union nor was the money turned over to any union. While some people who purchased insurance did receive coverage for their medical expenses, the suspect failed to forward \$60,645 in premiums to MVP Health Care. Moreover, he collected

\$13,232 in unauthorized fees. The Insurance Department revoked his agent's license in June 2005.

August

SENTENCED

- James Insinga, an upstate realtor, was sentenced on 8/7/07 to ten years in federal prison and ordered to share with other co-defendants the payment to three insurers of \$430,000 in restitution. Six others have also been convicted of federal crimes in this case. In April 2001, the Delaware County Sheriff's Office requested the assistance of the Frauds Bureau based on information that Insinga had solicited someone to purchase a house with the intent to burn it for the insurance settlement. An investigation by the Frauds Bureau, the U.S. Attorney's Office and the FBI revealed that Insinga had links to fires in Otsego, Delaware and Chenango Counties, some dating as far back as the 1990s. More than \$1,000,000 had been paid out by various insurers as a result of these fires. In addition, there was evidence of conspiracies to burn down one commercial and two residential properties. In each case where payouts were made, the defendants were able to set the fires in a way that fire investigators were unable to readily identify them as incendiary. The investigation led to his arrest on 12/15/03.

WHERE'S THE LUGGAGE?

- The defendant in this case had his luggage either lost or stolen from the US Airways terminal at the Rochester International Airport. On 10/27/06, he filed a claim with New York Central Mutual Insurance Company for the loss. In addition, he reported the loss to the airport authorities and received payment from both the insurer and the airlines. An investigation by the Frauds Bureau led to his arrest.

NONEXISTENT INJURIES

- The defendant in this case, while acting in concert with another person not yet apprehended, submitted an allegedly fraudulent accident report to a medical facility where he received treatment that was subsequently paid for by his insurer. However, following an investigation conducted jointly by the Frauds Bureau and the NYPD's Fraudulent Accident Investigation Squad, the defendant told the arresting officer that he was not injured in the auto accident and had received treatment for nonexistent injuries.

September

MIDNIGHT MISCHIEF

- The suspect in this case reported to the police that, while walking after midnight on a rural route in upstate New York, he was struck by a car whose driver then fled the scene. He sustained numerous injuries, including a broken leg, and was treated at a local hospital. However, during an investigation conducted by the Frauds Bureau, investigators learned that the car the suspect claimed had hit him had been stolen from a service station parking lot located on the route he had allegedly been walking on when he was hit. Evidence showed that the suspect stole the car and was subsequently involved in an accident that involved only the vehicle he was driving. He eventually admitted to investigators that he had stolen the car.

NO ENTITLEMENT

- In December 2005, a postal worker sustained a back injury in an auto accident and began collecting lost-wage benefits. In January 2007, she returned to work as a mail carrier. However, an investigation by the Frauds Bureau revealed that she continued to collect benefits until May 2007 during which time she received \$10,000 to which she was not entitled. In fact, during the time she was collecting the benefits she submitted five documents to her insurer stating that she was unable to work. When faced with the evidence, the suspect gave a written statement to investigators admitting the fraud.

MATCHING NUMBERS

- An investigation by the Frauds Bureau led to the arrest of an upstate woman charged with filing an allegedly fraudulent claim with State Farm Insurance Company. The claim was for repair of her roof which she stated had been damaged during an ice storm. In support of her claim, she submitted a receipt for the repair work from a local roofing contractor. When State Farm contacted the contractor, the insurer was told that the contractor had not done any work for the suspect, but they had recently put a new roof on the home of her son. Investigators subsequently discovered that the invoice number on the receipt the suspect had submitted to the insurer matched the invoice number for the new roof on her son's home.

October

ELEVEN CHARGED

- An investigation by the Frauds Bureau, the Queens DA's Office, the State Insurance Fund and the Workers' Compensation Fraud Inspector General's Office resulted in the arrest of 11 suspects charged with nearly \$300,000 in workers' compensation fraud. Most of the suspects allegedly were working while collecting benefits. Others presented forged Certificates of Insurance coverage or misrepresented the size of their workforce and/or payroll in order to pay less than the required premium. One defendant alone was accused of collecting nearly \$88,000 in benefits to which he was not entitled.

WRONG ADDRESS

- An upstate service company owner insured his business vehicles at an address in North Branch, NY, a rural community in Sullivan County that was his residence. However, an investigation by the Frauds Bureau and the State Police revealed that the vehicles in question were actually located and operated in Brooklyn, NY, where auto insurance rates are significantly higher than in the upstate area. As a result of his action, he paid Harleysville Insurance Company \$25,000 less in premiums than was warranted in the Brooklyn location. He was arrested on charges of commercial rate evasion.

STAGED ACCIDENTS

- The operator of an upstate escort service pleaded guilty to two counts of insurance fraud in the 3rd degree and was sentenced to a prison term of five-to-ten years. He and three accomplices were arrested on 10/23/07 and at that time, he admitted to using two of his escorts to drive U-Haul rental trucks into his vehicles, netting him more than \$50,000 in insurance claims submitted to U-Haul's insurer, Republic Western Insurance Company. The investigation that led to the arrests was conducted by the Monroe County Auto Crimes Task

Force. Task Force members include the Frauds Bureau, the Monroe County DA's and Sheriff's Offices, the State Police Auto Theft Unit, the Rochester Police Department's Auto Theft Unit and the DMV's Criminal Investigation Unit.

GRAND LARCENY

- The defendant in this case pleaded guilty to one count of grand larceny in the 3rd degree for his part in a scheme that cost Progressive Insurance Company \$9,315 on a fraudulent stolen car claim. He is expected to be sentenced in January 2008 to two-to-four years in prison. His girlfriend, a partner in crime, was arrested in July. The pair conspired to falsely report to the Rochester Police Department that a 1997 BMW had been stolen in June 2006. Acting on a tip, investigators from the Frauds Bureau and the Rochester PD's Auto Theft Unit recovered the "stolen" car in the garage of a family member who was unaware that it had been reported stolen. The family member was storing it for the boyfriend while he was incarcerated in a federal prison on unrelated charges. He was arrested on 7/20/07 upon his release from prison.

November

HIGH MAINTENANCE

- The owner of a Queens limousine service and two chop-shop owners were arrested in September for their participation in an auto-theft ring. Thirteen others have also been charged, the most recent on 11/6/07, bringing to 16 the number of defendants arrested in this case. Ring members were accused of stealing private limousine-style vehicles (e.g., Lincoln Town cars, Mercedes Benzes and Ford passenger vans) which were then transported to the chop shop where they were dismantled. The parts were used to maintain the fleet owner's vehicles. Senior Investigator Hugh Brickley (pictured at left) worked the case for the Frauds Bureau. The 21-month-long investigation that led to the arrests was conducted by the Frauds Bureau, the



NYPD's Auto Crime Division and the Queens DA's Office.

ABANDONED CAR

- Four suspects were arrested following a joint investigation by the Frauds Bureau and the State Police in Batavia, NY, with the assistance of Allstate Insurance Company. The owner of a 1995 Dodge Intrepid and three co-conspirators allegedly vandalized and abandoned the car in a Genesee County field so they could split the proceeds from an insurance claim. The investigation was initiated after the car was found and police questioned the owner who provided a full confession. The other three suspects subsequently also confessed to participating in the fraud.

DEBRIS REMOVAL

- An investigation by the Frauds Bureau and the Delaware County Sheriff's Department led to the arrest of two suspects charged with insurance fraud and falsifying business records. Suspect #1 submitted a claim for \$16,250 to Liberty Mutual insurance Company following a

fire that destroyed his home on 2/28/06. In support of the claim, he included an invoice, signed by suspect #2, the owner of an excavating business, for removal to a landfill of debris related to the fire. However, the investigation revealed that no removal to a landfill had taken place. In fact, the debris was moved to the location of private property owned by suspect #2 and the claim was in fact fraudulent.

BROKER FRAUD

- A former Glens Falls insurance broker pleaded guilty to felony insurance fraud after admitting she victimized 36 families, her employer and 18 insurers by stealing \$9,576 in insurance premiums. Under a plea agreement, she will be responsible for making complete restitution. An investigation by the Frauds Bureau, the Saratoga County DA's Office and the DMV led to her arrest. The investigation was initiated when the agency at which the broker was employed reported to police that it had received numerous complaints from customers who said their auto insurance policies had been cancelled even though they had paid their premiums.

December

STUNG

- Twenty-six suspects were arrested as a result of a sting operation targeting car thieves on Long Island and in the New York Metropolitan Area, and 11 more are being sought. In addition, 92 vehicles with a Blue Book value of more than \$1 million were recovered. Several of the cases involved owners who "gave up" their cars for the insurance settlement. In another case, an auto mechanic made duplicate keys in order to steal the cars. Undercover detectives operated a garage where they purchased the stolen cars, trucks and motorcycles from thieves for five percent to ten percent of their Blue Book value. At a press conference, Suffolk County District Attorney Thomas J. Spota (at microphone) announced the arrests. Pictured behind him (from l.) are Leonard Lato, Bureau Chief of the DA's Insurance Crime Bureau; Suffolk County Police Commissioner Richard Dormer; and Frank Orlando, Director of the Insurance Frauds Bureau.



WORKERS' COMP FRAUD

- A year-long investigation culminated in an arrest sweep in Nassau County that netted ten suspects, all but two of whom allegedly violated New York State's Workers' Compensation Law. The investigation was conducted jointly by the Frauds Bureau, the Nassau County DA's Office, the State Insurance Fund and the Workers' Compensation Fraud Inspector General's Office and the theft uncovered totaled nearly \$1 million. Evidence indicated that five of the defendants were collecting benefits while gainfully employed. In another three cases, the defendants presented fraudulent Certificates of Insurance to contractors.

STEAL AND SCRAP



- The co-owners and operators of a scrap yard in Niagara Falls were arrested on 12/5/07 and charged with numerous counts of grand larceny, criminal mischief and dismantling vehicles without a registration. They were accused of stealing vehicles with the likely help of a tow truck and crushing or dismantling them for scrap. Investigators believe that they targeted low-end cars because they could do so without raising a lot of

eyebrows. On 9/5/07, a search warrant was executed at the office/home of one of the suspects and a second warrant at the scrap yard where two stolen vehicles were located. Business records were also confiscated and turned over to the State Department of Taxation and Finance to determine whether proper sales tax was collected. The joint investigation was conducted by the Frauds Bureau, the State Police, the Niagara Falls Police Department, the DMV and the Police Departments from the Town of Niagara, Cheektowaga, North Tonawanda, Buffalo and Lockport. Pictured (from l.) are Frauds Bureau Deputy Chief Investigator Edward Silvestrini; Detective Gary Chwojidak of the Buffalo Police Department; and Investigator Steven Renaldo of the Department of Motor Vehicles conducting the search at the scrap yard.

B. Web-Based Case Management System

The Frauds Bureau's Web-Based Case Management System, known as FCMS, has been fully implemented since the first quarter of 2007. Approximately 85% of the Bureau's 2007 fraud reports (IFBs) were electronically transmitted and received remotely from insurers. The insurers obtained secure accounts through the Department portal which allows them access to FCMS.

Once the IFBs are received, they are automatically routed to the appropriate supervisor for review and assignment to an investigator. Investigators use FCMS to track all investigative tasks and events electronically from initial assignment through to closure. All supervisory staff members have full access to all cases and statistical reports.

The benefits to insurers include automatic acknowledgment of fraud reports, automatic notification of case assignments and eventual case disposition. Insurers also benefit from on-line help screens and an on-line manual of operations, as well as search and cross-reference features. Assistant Chief Investigator Karen Silverstein, together with other members of the Frauds and Systems Bureaus, will continue to monitor the system and make improvements and changes as necessary.

C. Audits of Insurer Special Investigations Units

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

D. Mobile Command Center



The Department's Mobile Command Center (MCC) gives the Department an on-site response capability to assist consumers with insurance issues when emergencies or natural disasters occur. The vehicle contains state-of-the-art communications equipment that enables communication between disaster sites, Insurance Department offices across the State and other locations. This past spring, for example, the MCC was deployed for more than 30 consecutive days to assist flooding disaster victims in Westchester County, New Rochelle and Staten Island.

During times when the Mobile Command Center (MCC) is not responding to emergency situations, it is used for outreach programs throughout the State. One such event occurred in September when the MCC was showcased across the street from the Capitol building. A flyer, shown at left, announced the event. The MCC was displayed to give attendees of the GTC East 2007

technology conference being held in Albany an opportunity to tour the vehicle and get a better understanding of its capabilities. The conference, which is the largest technology exhibit in the State, attracted several thousand attendees from the public and private sectors.

Staff from the Governor's Office, the Attorney General's Office, the Office of General Services and the Departments of Labor and Environmental Conservation were among the many visitors to the MCC during the two-day event. There was significant interest in the latest computer and electronic communications systems the MCC is equipped with. The visitors also had high praise for members of the Department's Frauds and Consumer Services Bureaus who were on hand to conduct tours and demonstrations of the vehicle's capabilities. The MCC not only brought a greater public awareness of what the Department provides in terms of service to consumers and the insurance industry but also demonstrated how well we perform these tasks.

E. Partnering With Prosecutors

Under a program initiated in 2003, Frauds Bureau investigators are assigned to prosecutors' offices to work side-by-side with their investigative staff. During 2007, the Bureau had investigators in nine prosecutors' offices across the State. As of year's end, one investigator was assigned to the Suffolk County DA's Office full time. In addition, we had one investigator in the Nassau County DA's Office two days a week; one investigator one day a week in Queens; and one investigator one day a month in both the Putnam and Dutchess County DAs' Offices. We also had one investigator in the Albany County DA's Office three days a week, one investigator three days a week in Westchester, one investigator three days a week in the Bronx, and an investigator two days a month in the Monroe County DA's Office.

V. *Directions for 2008*

A. New Major Case Unit

The Frauds Bureau has established a Major Case Unit that will focus on the investigation of systemic insurance fraud involving organized conspiracies. The Unit will be headed up by a Deputy Chief Investigator and will include five investigators who were selected from the Bureau's specialized units because of their expertise in the investigation of specific types of insurance fraud. As members of the Major Case Unit, these investigators will take the lead in investigating complex insurance cases involving no-fault, commercial rate evasion, health care fraud and workers' compensation premium fraud.

B. New York Health Care Fraud Task Force

A first-of-its-kind multi-agency task force was formed in 2007 to address health care fraud in the New York area. The mission of the New York Health Care Fraud Task Force is to identify, investigate and prosecute health care fraud. The monetary impact of health care fraud is staggering and is the reason for the formation of the Task Force. Government and non-government experts estimate that fraudulent health care billing amounted to between \$60 billion and \$200 billion in 2006. The Frauds Bureau was among ten federal, New York State and local government agencies that signed on to participate in February 2007 and will continue to be an active member of the Task Force during the coming year. The FBI is the lead agency. Other members include the IRS, the NYPD, the MTA, the U.S. Departments of Labor and Veteran Affairs, the U.S. Office of Personnel Management Inspector General's Office, the New York City Human Resources Administration and the National Insurance Crime Bureau.

C. Electronic Filing of SIU Annual Reports

Regulation 95 requires insurers that meet certain criteria to file a Fraud Prevention Plan and to establish a Special Investigations Unit (SIU) to be responsible for investigating suspected fraudulent activity. The Regulation also requires SIUs to file an Annual Report with the Insurance Department no later than January 15 of each year describing the insurer's experience, performance and cost effectiveness in the detection, investigation and prevention of insurance fraud. Beginning with the report due January 15, 2008, insurers will be required to submit their

Annual Report electronically through a secured environment on the Department's Portal Web site. Hard copy submissions will no longer be accepted. Instructions for electronic filing can be found on the Web site.

D. Erie/Niagara Counties Motor Vehicle Theft and Insurance Fraud Task Force

The City of Buffalo Police Department is working toward establishing a Motor Vehicle Theft and Insurance Fraud Task Force in Erie and Niagara Counties to develop and implement a strategy for reducing the incidence of stolen vehicles and auto-related insurance fraud in those counties. The Task Force is expected to become operational early in 2008. The Frauds Bureau has agreed to participate in the activities of the Task Force, along with the Department of Motor Vehicles, the Erie and Niagara County DAs' Offices, the Buffalo Fire Department, the Erie County Sheriff's Office, the Niagara Falls and Cheektowaga Police Departments and the National Insurance Crime Bureau. The Buffalo Police Department will act as Chair.

VI. Legislation

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

- Providing the Superintendent of Insurance with the authority to establish standards for the public awareness programs that insurers are required to develop under the provisions of Regulation 95;
- Upgrading the status of Insurance Frauds Bureau investigators from peace officers to police officers, enabling them to act independently in the execution of such tasks as search and arrest warrants, court orders relating to electronic surveillance and summary arrests;
- Making it a crime to present materially false statements on an insurance application for personal lines insurance;
- Making it a felony for third parties, known as runners, to recruit patients and clients for health care providers and attorneys in insurance fraud schemes;
- Increasing the penalties for those who falsify Police Accident Reports;
- Adding language to Section 176.05 of the New York State Penal Law to specifically include electronic and oral communications in the definition of insurance fraud;
- Mandating license suspension and a fine for a first offense and license revocation for a second offense for agents and brokers who produce unauthorized auto insurance identification cards;
- Adding a provision in the Insurance Law to require car dealerships with an on-site insurance broker to allow the Insurance Department access to their records;
- Establishing a TIPS program;
- Amending the Penal Law by adding a description of a fraudulent no-fault insurance act and decreasing the monetary threshold for the commission of insurance fraud in various degrees;
- Requiring a periodic certification of continued eligibility by recipients of workers' compensation or disability benefits;
- Creating a class D felony for insurance activity for which a license is normally required by certain previously licensed individuals and entities that are no longer licensed at the time of the violation;
- Creating a class E felony for unlicensed insurance activity by any individual;

- Subjecting unlicensed insurance activity to civil penalties after notice and hearing before the Insurance Department;
- Providing for automatic revocation of licenses under Article 21 of the Insurance Law upon conviction of the licensee for a felony;
- Requiring that life insurance policy applications include a positive identification of the insured;
- Increasing civil penalties for knowingly possessing, transferring or using fraudulent insurance documents;
- Creating a class E felony for possessing or uttering a false insurance document/instrument;
- Prohibiting the participation in the insurance business of individuals who have been convicted of felonies involving dishonesty, breach of trust or other violations of Article 176 of the Penal Law unless such persons first obtain the written consent of the Superintendent of Insurance for such activities;
- Amending §2111 of the Insurance Law to prohibit a revoked licensee from becoming employed in any capacity by an entity subject to the provisions of Article 21 without the prior written approval of the Superintendent;
- Increasing penalties in the Vehicle and Traffic Law to reduce the number of uninsured or unlicensed motorists in New York State;
- Requiring no-fault and workers' compensation insurers to provide explanations of benefits in response to claims filed for health care services under those programs;
- Modifying the reporting date for the Frauds Bureau Annual Report (pursuant to §405 of the Insurance Law) from January 15 to March 15 of each year; and
- Modifying the reporting date for insurer Special Investigations Units annual reports (pursuant to §409 of the Insurance Law) from January 15 to March 15 of each year.

VII. Appendices

IFBs Received by Year	2002	2003	2004	2005	2006	2007
Boat Theft*	0	0	0	0	0	2
Auto Theft	1,694	1,927	1,778	1,082	1360	1,679
Theft From Auto	101	76	79	67	90	62
Auto Vandalism	235	385	297	263	326	198
Auto Collision Damage	775	1,819	1,614	1,071	1287	1,260
Auto Fraudulent Bills	32	35	33	19	39	145
Auto Misc.	707	1,213	1,451	1,335	1,125	1,045
Auto I. D. Cards	536	191	130	214	73	180
No-Fault Auto Insurance	<u>14,852</u>	<u>17,253</u>	<u>14,328</u>	<u>13,287</u>	<u>10,117</u>	<u>11,242</u>
Org./No-Fault/Auto Unit Totals	18,396	22,708	19,580	17,124	14,344	15,813
Workers' Compensation	<u>1,086</u>	<u>1,121</u>	<u>1,027</u>	<u>1,118</u>	<u>1,034</u>	<u>1,472</u>
Workers' Comp Unit Totals	1,086	1,121	1,027	1,118	1,034	1,472
Disability Insurance	102	73	65	96	129	245
Health Accident Insurance	<u>1,518</u>	<u>1,791</u>	<u>2,236</u>	<u>2,183</u>	<u>1,495</u>	<u>1,212</u>
Medical Unit Totals	1,620	1,864	2,301	2,279	1,624	1,457
Boat Fire*	0	0	0	0	0	2
Auto Fire	267	315	400	309	310	460
Fire - Residential	127	114	135	154	157	120
Fire - Commercial	<u>22</u>	<u>25</u>	<u>30</u>	<u>36</u>	<u>24</u>	<u>23</u>
Arson Unit Totals	416	454	565	499	491	605
Burglary - Residential	392	422	378	333	228	336
Burglary - Commercial	93	80	78	108	72	159
Homeowners	288	432	450	651	705	727
Larceny	45	43	58	48	56	43
Lost Property	108	182	263	339	256	158
Robbery	28	21	22	16	20	26
Bonds	6	6	5	5	1	4
Life Insurance	100	63	61	251	130	180
Ocean Marine Insurance	15	25	27	30	18	12
Reinsurance	0	1	0	0	0	1
Appraisers/Adjusters	5	30	7	4	3	5
Agents	65	50	52	42	41	46
Brokers	60	65	157	71	29	85
Ins. Company Employees	10	3	4	3	3	7
Insurance Companies	4	20	13	9	29	36
Title/Mortgage*	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	6

Commercial Damage*	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	18
Unclassified	<u>312</u>	<u>304</u>	<u>504</u>	<u>429</u>	<u>881</u>	<u>883</u>
General Unit Totals	2,067	1,938	2,209	2,553	2,545	2,732

IFBs Received	2002	2003	2004	2005	2006	2007
Org./No-Fault/Auto Unit Totals**	3,811	22,708	19,580	17,124	14,344	15,813
Auto ID Unit Totals***	536	0	0	0	0	0
Workers' Comp Unit Totals	1,086	1,121	1,027	1,118	1,034	1,472
Medical Unit Totals	1,620	1,864	2,301	2,279	1,624	1,457
No-Fault Auto Unit Totals**	14,852	0	0	0	0	0
Arson Unit Totals****	149	454	565	499	491	605
General Unit Totals	1,531	1,938	2,209	2,553	2,545	2,732
Unassigned	<u>993</u>	<u>1,620</u>	<u>1,597</u>	<u>2,372</u>	<u>2,846</u>	<u>0</u>
Grand Totals	24,578	29,705	27,279	25,945	22,884	22,079

* New categories added in 2007.

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

*** Auto ID Card Unit merged into Org./No-Fault/Auto Unit in January 2007.

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

Cases Opened by Year	2002	2003	2004	2005	2006	2007
Boat Theft*	0	0	0	0	0	0
Auto Theft	71	92	79	86	124	219
Theft From Auto	14	3	3	3	4	1
Auto Vandalism	23	18	7	13	8	6
Auto Collision Damage	25	25	23	30	41	51
Auto Fraudulent Bills	7	3	3	3	1	3
Auto Misc.	25	21	12	11	29	31
Auto I. D. Cards	179	63	10	5	10	8
No-Fault Auto Insurance	<u>113</u>	<u>88</u>	<u>73</u>	<u>122</u>	<u>142</u>	<u>160</u>
Org./No-Fault/Auto Totals	278	250	200	268	349	479
Workers' Compensation	<u>494</u>	<u>571</u>	<u>669</u>	<u>624</u>	<u>440</u>	<u>219</u>
Workers' Comp Unit Totals	494	571	669	624	440	219
Disability Insurance	15	13	12	12	21	21
Health Accident Insurance	<u>42</u>	<u>57</u>	<u>59</u>	<u>59</u>	<u>57</u>	<u>56</u>
Medical Unit Totals	57	70	71	71	78	77
Boat Fire*	0	0	0	0	0	0
Auto Fire	16	33	106	60	52	59
Fire - Residential	17	20	16	24	24	23
Fire - Commercial	<u>2</u>	<u>6</u>	<u>11</u>	<u>9</u>	<u>8</u>	<u>5</u>
Arson Unit Totals**	35	59	133	93	84	87
Burglary - Residential	14	16	7	7	8	19
Burglary - Commercial	12	2	4	6	6	20
Homeowners	36	28	18	20	24	45
Larceny	2	2	7	4	8	4
Lost Property	2	3	2	3	3	4
Robbery	1	2	1	0	1	1
Bonds	2	5	2	2	1	0
Life Insurance	22	9	8	4	7	8
Ocean Marine Insurance	3	3	2	3	4	4
Reinsurance	0	0	0	0	0	0
Appraisers/Adjusters	0	0	2	2	2	3
Agents	28	12	13	21	7	18
Brokers	7	8	9	9	12	18
Ins. Company Employees	5	2	2	2	1	3
Insurance Companies	1	7	1	1	1	9
Title/Mortgage Insurance*	0	0	0	0	0	3
Commercial Damage*	0	0	0	0	0	3

Miscellaneous	<u>27</u>	<u>18</u>	<u>20</u>	<u>34</u>	<u>55</u>	<u>48</u>
General Unit Totals	341	180	108	123	150	210
Grand Totals	1,205	1,130	1,181	1,179	1,101	1,072

Investigations	2002	2003	2004	2005	2006	2007
Workers' Comp Unit Totals	494	571	669	624	440	219
Medical Unit Totals	57	70	71	71	78	77
No-Fault Auto Unit Totals	278	250	200	268	349	479
Arson Unit Totals	35	59	133	93	84	87
General Unit Totals	<u>341</u>	<u>180</u>	<u>108</u>	<u>123</u>	<u>150</u>	<u>210</u>
Totals	1,205	1,130	1,181	1,179	1,101	1,072

* New categories added in 2007.

**Arson Unit created in 2003.

2002	IFBs	Cases	Arrests
Auto Unit Totals	3,811	181	196
Auto ID Unit Totals	536	179	107
Workers' Comp Unit Totals	1,086	494	101
Medical Unit Totals	1,620	57	27
No-Fault Auto Unit Totals	14,852	113	182
General Unit Totals	1,680	<u>181</u>	<u>94</u>
Grand Total		1,205	707

2003	IFBs	Cases	Arrests
No-Fault/Auto Unit Totals*	5,770	195	332
Auto ID Unit Totals**	191	63	27
Workers' Comp Unit Totals	1,121	571	110
Medical Unit Totals	1,864	70	27
No-Fault Auto Unit Totals*	17,253	88	244
General Unit Totals**	1,747	117	64
Arson Unit Totals	139	<u>26</u>	<u>7</u>
Grand Total		1,130	811

* Auto Unit and No-Fault Unit merged in August 2003.

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

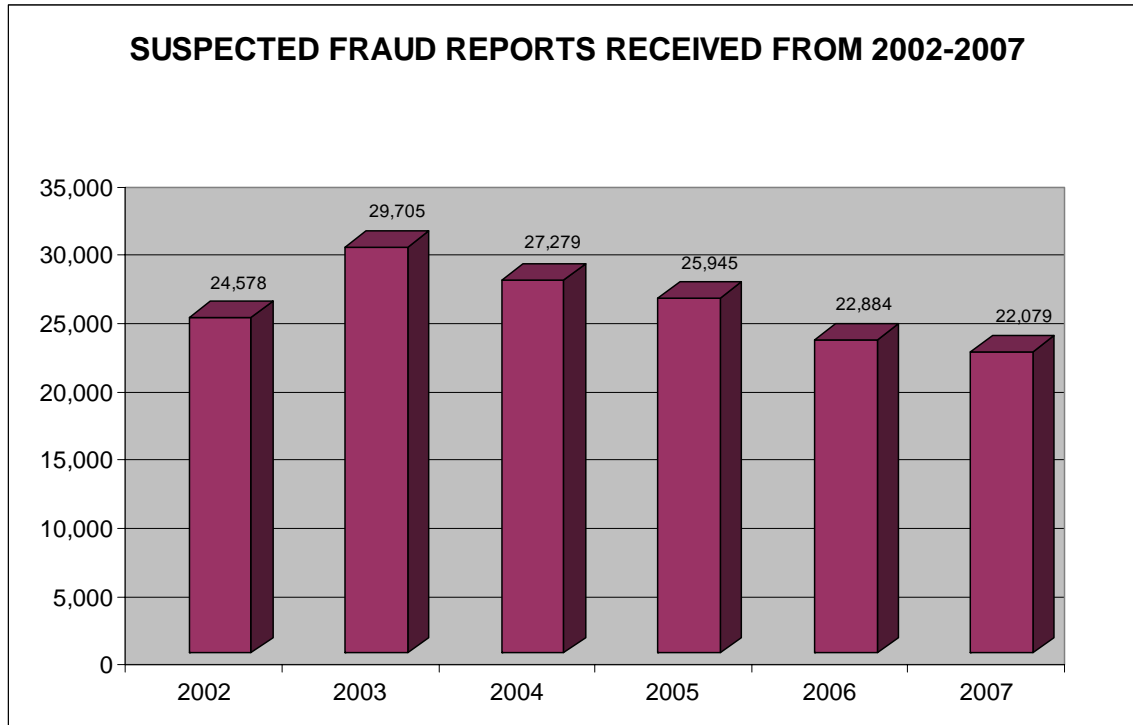
2004	IFBs	Cases	Arrests
No-Fault/Auto Unit Totals	19,580	200	479
Workers' Comp Unit Totals	1,027	669	155
Medical Unit Totals	2,301	71	44
General Unit Totals	2,209	108	75
Arson Unit Totals	565	<u>133</u>	<u>62</u>
Grand Total		1,181	815

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

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

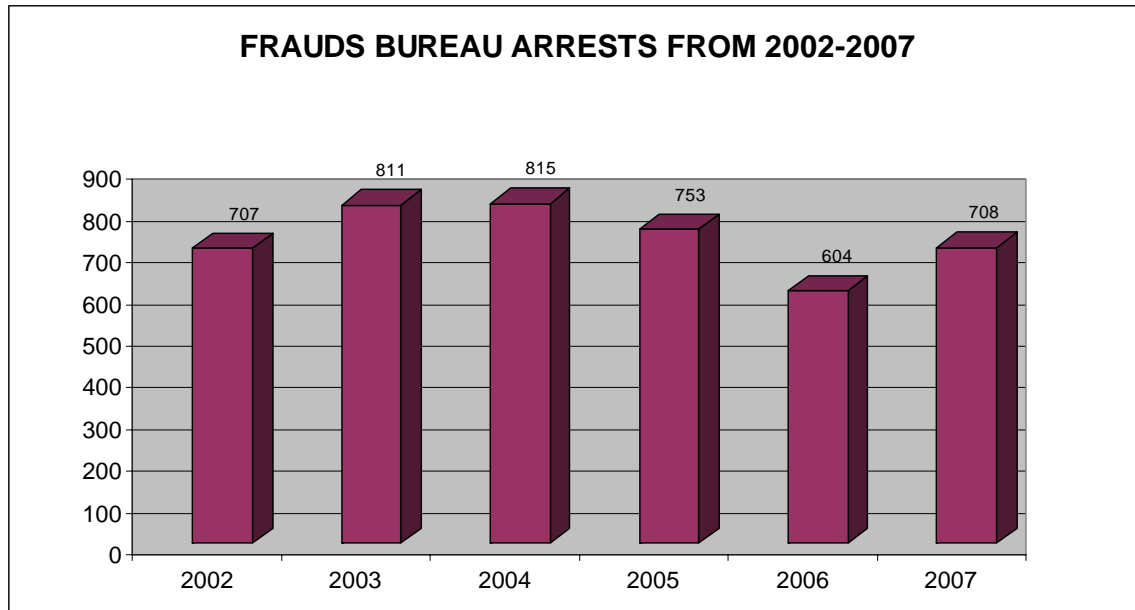
2007	IFBs	Cases	Arrests
No-Fault/Auto Unit Totals	15,813	479	352
Workers' Comp Unit Totals	1,472	219	149
Medical Unit Totals	1,457	77	57
General Unit Totals	2,732	210	85
Arson Unit Totals	605	<u>87</u>	<u>65</u>
Grand Total		1,072	708

POSITIVE TREND



- The Frauds Bureau has asked the industry to report not only clear incidents of insurance fraud but even those incidents with just the suspicion of fraud. Yet in the past four years, the Bureau has seen a decrease in the number of fraud reports submitted by the industry, a trend directly related to the combined efforts of Frauds Bureau investigators and prosecutors. Aggressive enforcement of the law results in a reduction in crime.

HIGH-LEVEL, AGGRESSIVE ENFORCEMENT



- The Frauds Bureau and New York State prosecutors developed high-level, complex investigations that led to the arrest and prosecution of top-level organizers of fraudulent enterprises that cost consumers millions of dollars a year in higher insurance rates.

**Insurance Frauds Bureau
Training Program
Insurers, Law Enforcement and Community Groups
2007**

Date	Group	Location	Number of Attendees
03/09/07	Monroe Community College Criminal Investigation School	Rochester, NY	21
03/19/07	NYS Office of Fire Prevention and Control	Montour Falls, NY	32
03/23/07	NYPD Executive Development Program	New York, NY	11
04/11/07	State Farm Insurance Company	New Hyde Park, NY	11
04/17/07	New York Anti Car Theft and Fraud Assoc.	Woodbury, NY	76
04/24/07	National Insurance Crime Bureau	Melville, NY	62
05/02/07	NAIC Interns	New York, NY	2
05/03/07	New York Anti Car Theft & Insurance Fraud Assn./New York Prosecutors Training Inst.	Albany, NY Albany, NY	65
05/08/07	Liberty Mutual Insurance Company	Valley Stream, NY	52
05/09/07	Utica I-Day (for insurers and agents)	Utica, NY	50
05/16/07	Westchester County Public Safety Academy	Valhalla, NY	50
05/21/07	New York Central Mutual Ins. Co. (SIU)	Edmeston, NY	25
06/11/07	NYS Office of Fire Prevention and Control	Montour Falls, NY	28
06/11/07	First Cardinal Corporation	Latham, NY	21
06/13/07	New York City Fire Marshals Academy	Brooklyn, NY	18
06/15/07	New York Anti Car Theft and Fraud Assoc.	Henrietta, NY	32
06/18/07	New York City Police Academy (recruits)	New York, NY	570
06/20/07	New York City Police Academy (recruits)	New York, NY	540
06/21/07	Esurance Auto Insurance Company	Melville, NY	5
07/13/07	Herkimer Police and Fire Chiefs	Herkimer, NY	6
07/31/07	GEICO Insurance Company	Woodbury, NY	3
08/02/07	Prudential Insurance Company	Newark, NJ	11
08/08/07	Statewide Insurance Company	Hempstead, NY	2
08/10/07	State Farm Insurance Company (SIU)	Lake Success, NY	4
08/15/07	New York State Insurance Fund	Melville, NY	4
10/02/07	NYS Office of Fire Prevention and Control	Montour Falls, NY	32
10/30/07	NAIC Interns	New York, NY	2
11/07/07	New York City Fire Department	Brooklyn, NY	24
12/06/07	Westchester County Police Department	Valhalla, NY	81
12/06/07	New York State Inspector General's Office	Albany, NY	60
12/11/07	New York City Police Academy (recruits)	New York, NY	440
12/21/07	New York City Police Academy (recruits)	New York, NY	550
TOTALS	GROUPS 31	PARTICIPANTS	2,840

Fraud Plans on File as of 12/31/07

American Progressive Life and Health Insurance Company
ACE USA Group of Companies
Aetna Life Insurance Company
AIG Companies
Allianz Insurance Company of New York
Allstate Insurance Company
Allstate Life Insurance Company
AM Trust Financial
Amalgamated Life Insurance Company
American Express Property and Casualty Companies
American Family Life Assurance of New York
American Medical and Life Insurance Company
American Modern Insurance Group
American Transit Insurance Company
Americhoice of New York, Inc.
Amica Mutual Insurance Company
Arch Insurance Company
Assurant Group
Atlantic Mutual Insurance Company
Balboa Life Insurance of New York
Capital District Physicians Health Plan
Central Mutual Insurance Company
Central States Indemnity Company of Omaha
Centre Life Insurance Company
Chubb Group
CIGNA Health Group
Cincinnati Insurance Company
Clarendon National Insurance Group
CNA Insurance Companies
Combined Life Insurance Company of New York
Conseco Life Insurance Company of New York
Countryway Insurance Company
Country-Wide Insurance Company
CUNA Mutual Insurance Society
Dairyland Insurance Company
Delta Dental Insurance Company
Delta Dental of New York
Dentcare Delivery Systems
Donegal Companies
Eastern Vision Service Plan
Electric Insurance Company

Empire HealthChoice Assurance
Erie Insurance Group
Esurance Insurance Company
Eveready Insurance Company
Excellus
Farm Family Casualty Insurance Company
Farmers New Century Insurance Company
Fiduciary Insurance Company of America
Fireman's Fund Insurance Company
First Ameritas Life Insurance Company of New York
First Great-West Life Annuity Insurance Company
First Rehabilitation Life Insurance Company of America
First Reliance Standard Life Insurance Company
First United American Life Insurance
GEICO Direct
General Casualty insurance of Wisconsin - Blue Ridge
Genworth Life Insurance Company of New York
Gerber Life Insurance Company
Global Liberty Insurance Company of New York
Globe Life & Accident Insurance Company
GMAC Insurance
Great American Insurance Company Group
Group Health Incorporated
Guard Insurance Company Group
Guardian Life Insurance Company of America
Hanover Insurance Company
Harleysville Insurance Companies
Hartford Life Insurance Company
Health Net
Healthnow New York, Inc.
Hereford Insurance Company
HIP Health Plans
HM Life Insurance Company of New York
Humana Insurance Company of New York
Independent Health Association, Inc.
Infinity Property Casualty Companies
ING Life Insurance and Annuity Company
Interboro Insurance Company
Jefferson Pilot Life America Insurance Company
John Hancock Life Insurance Company of New York
Lancer Insurance Company
Liberty Mutual Insurance Company
Liberty National Life Insurance Company

Life Insurance Company of Boston & New York
Lincoln General Insurance Company
Magna Carta Companies
Main Street America Assurance Company
Merchants Insurance Group
Mercury Insurance Group
Metropolitan Life Insurance Company
Metropolitan Property & Casualty Insurance Group
Michigan Millers Mutual Insurance Company
Mutual Omaha Insurance Company
MVP Health Plan
National Benefit Life Insurance
National Income Life Insurance Company
Nationwide Insurance Group
New York Automobile Insurance Plan
New York Central Mutual Fire Insurance Company
New York Life Insurance Company
New York State Insurance Fund
Nippon Life of America
Northstar Life Insurance Company
Northwestern Mutual Life Insurance Company
Nova Casualty Company
Ohio Casualty Insurance Company
OneBeacon Insurance Company
Oxford Health Plans
Preferred Mutual Insurance Company
Principal Life Insurance Company
Progressive Group of Insurance Companies
Response Insurance
Rochester Area HMO, Inc.
Safeco Insurance Company
SBLI USA Mutual Life Insurance Company, Inc.
Security Mutual Life Insurance Company of New York
Selective Insurance Group, Inc.
St Paul Fire and Marine Insurance Company
Standard Life Insurance Company of New York
Standard Security Life Insurance Company of New York
State Farm Insurance Companies
State-Wide Insurance Company
Sun Life Insurance and Annuity Company of New York
The Hartford Financial Services Group
The Prudential Insurance Company of America
Tower Group of Companies

Transamerica Financial Life Insurance Company
Tri-State Consumer Insurance Company
Trustmark Insurance Company
Unicare Life & Health Insurance Company
Union Labor Life Insurance Company
Union Security Life Insurance Company of New York
United Concordia Insurance of New York
United HealthCare of New York
Unitrin-Kemper
UnumProvident Corporation
USAA Group
Utica National Insurance Group
Zurich North America

Insurance Frauds Bureau Staff – December 31, 2007

NEW YORK CITY OFFICE

Director

Deputy Director

1 Chief Investigator

1 Assistant Chief Investigator

7 Deputy Chief Investigators

8 Senior Investigators

4 Investigators

1 Principal Insurance Examiner

1 Senior Insurance Examiner

1 Insurance Examiner

1 Senior Training Officer

1 Assistant Director of Research

1 Secretary I

1 Calculations Clerk 2

3 Keyboard Specialists

MINEOLA OFFICE

1 Deputy Chief Investigator

4 Senior Investigators

1 Investigator

ALBANY OFFICE

2 Senior Investigators

6 Investigators

BUFFALO OFFICE

1 Deputy Chief Investigator

1 Senior Investigator

1 Investigator

ROCHESTER OFFICE

1 Senior Investigator

1 Investigator

SYRACUSE OFFICE

1 Assistant Chief Investigator

2 Senior Investigators

ONEONTA OFFICE

1 Deputy Chief Investigator

1 Senior Investigator

3 Investigators

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Fax # (516) 248-5727

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Fax # (518) 473-0369

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Fax # (585) 325-6746

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Fax # (607) 433-3623