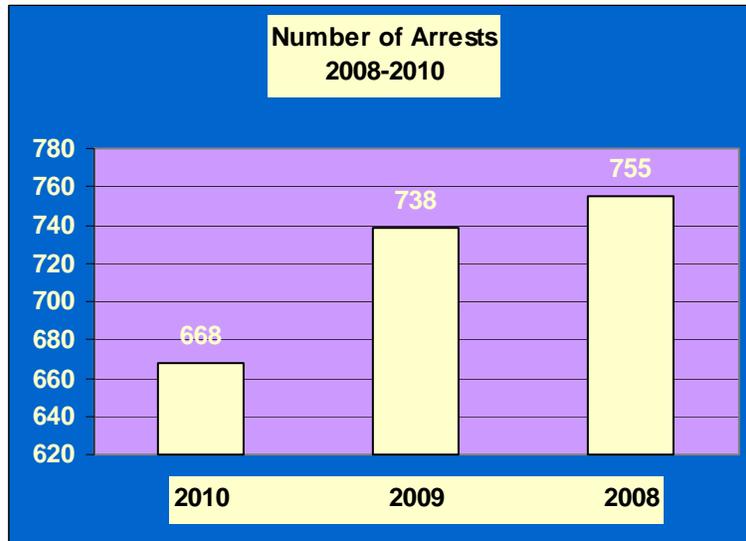


Arrests, Convictions and Fraud Reports

Year-End 2008 – 2010

- Investigations by the Frauds Bureau resulted in 668 arrests in 2010, compared with 738 in the prior year.



Among the many investigations brought to successful conclusion during the past year are the following:

- Heidi Laviolette was seriously injured in an automobile accident after she attempted to drive home from a party intoxicated. She was taken to an area hospital where she was treated for a broken ankle, a fractured rib and a collapsed lung. She was later charged with DWI (Driving While Intoxicated). Several months later, she was arrested and again charged with DWI in connection with another incident. As part of her plea bargain, she pleaded guilty to the second DWI charge and the earlier charge was dismissed. Laviolette then filed a \$62,000 insurance claim with GEICO Insurance Company for the medical bills associated with her initial accident, stating that she was not the driver but a passenger in the car when the accident occurred. Under New York's then-existing no-fault insurance law, which was applicable in this matter, drivers can be denied coverage for medical bills that result from injuries incurred in accidents that are caused by the fact that they are driving while intoxicated. GEICO referred the matter to the Frauds Bureau for investigation which revealed that Laviolette was in fact the intoxicated driver in the initial DWI charge. On 9/8/10, she was arrested and charged with insurance fraud. Under the Special Prosecutor Program, Laviolette admitted to driving intoxicated and pleaded guilty to felony insurance fraud on 12/6/10. She also agreed to enter an 18-month drug and alcohol treatment program. If she fails any part of the program, she will face seven years in prison. This

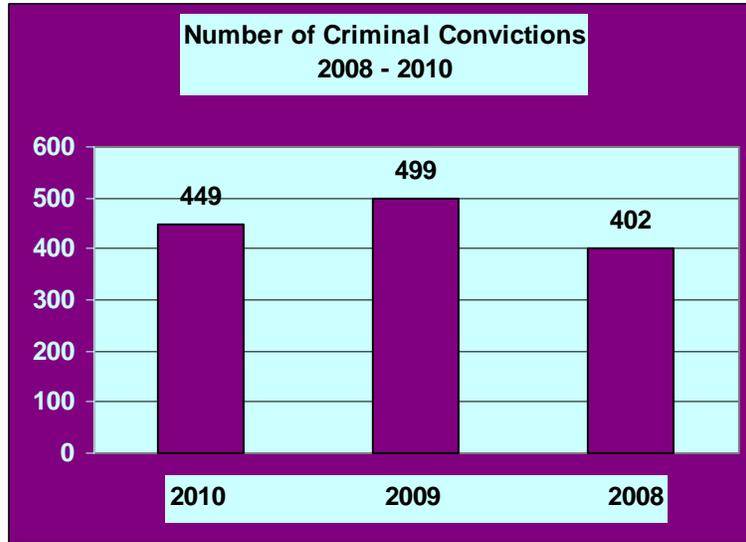
case was prosecuted in Rensselaer County in 2010 under the Special Prosecutor Program.

- Brian Madden, the president and co-founder of Liberty Title Agency, pleaded guilty on 12/14/10 in Manhattan federal court to one count of wire fraud and one count of insurance fraud. He also controlled and operated two other title insurance agencies. Madden misappropriated millions of dollars of escrow and other client funds and embezzled a part of those funds for his personal use. In particular, between January 2008 and April 2009, he withdrew more than \$2 million in cash from Liberty, one of the largest independently-owned title insurance agencies in New York State. The withdrawals at times totaled more than \$300,000 in a single month. To sustain Liberty's operations, Madden essentially used new funds from clients to pay off the debts to older clients. In addition, he failed to record dozens of real estate transactions in a timely fashion in spite of the fact that he had already been paid to record those transactions. He faces a statutory maximum sentence of 20 years in prison on the wire fraud charge and ten years on the insurance fraud charge. Sentencing is scheduled for 3/29/11. The investigation was conducted by the Frauds Bureau, the Office of the U.S. Attorney for the Southern District and the FBI.
- An investigation by the Frauds Bureau and the Internal Revenue Service resulted in the arrest of a Bay Shore, Long Island, doctor who, together with others, filed \$800,000 in allegedly fraudulent claims with numerous health care programs, including Medicare, for services that he never provided. Court papers also alleged that he evaded almost \$1.3 million in income taxes from 2001 to 2003.
- An investigation conducted jointly by the Frauds Bureau and the Queens DA's Office led to the arrest of a licensed insurance broker who was the president and owner of two insurance brokerages in Queens. According to the charges, the defendant failed to remit \$606,770 in premium payments that she had received from more than 400 clients between 1/1/09 and 12/31/09. Her actions defrauded four insurance companies – Maya Assurance, American Transit, Hereford and Fiduciary Insurance Company of America – of premiums owed. In addition, she submitted 43 checks totaling \$121,750 to two of the insurers in an attempt to conceal the crime. The checks were returned because of insufficient funds.
- An investigation by the Medicare Fraud Strike Force, of which the Frauds Bureau is a member, led to the 9/22/10 arrest of a surgeon on charges that from 2/09 to 1/10, he defrauded Medicare and numerous other health care benefit programs of at least \$3.5 million. Investigators began reviewing the doctor's practice after receiving complaints from patients who said the doctor had submitted claims for services they had not received. He allegedly consistently filed claims for office visits, examinations and subsequent surgical procedures as if he were treating unrelated conditions, when in fact he was providing follow-up services related to an initial procedure. In addition, he often billed for working more than 24 hours in a day. A search warrant was executed at his office on the day of his arrest and bank records were seized.

The Medicare Fraud Strike Force supplements the criminal health care fraud enforcement activities of the U.S. Attorney's Offices by targeting chronic fraud as well as emerging or migrating schemes perpetrated by criminals operating as health care providers or suppliers. The Strike Force members include the Department of Justice Criminal Division's Frauds Section, law enforcement partners in the Department of Health and Human Services (HHS), the New York Insurance Frauds Bureau and other state and local law enforcement agencies.

- The three defendants in this case were charged with stealing \$474,000 from Progressive and Mercury Insurance Companies over a ten-year period. The scheme was carried out between 2000 and 2006 while defendant #1 was employed as a claims examiner by Progressive and later when she worked for Mercury. (She was fired in December 2009.) She allegedly issued insurance company checks for supplemental payments to policyholders to whom legitimate claims had already been paid. She used fake claim numbers, or in some cases, no claim numbers on the checks. She then forged claimants' signatures and countersigned the checks, making them payable to herself, or gave the checks to her two co-defendants to do the same. The scheme was uncovered when a bank clerk noticed an unusual number of checks bearing different claimants' names being countersigned and cashed by defendant #1 for deposit into her personal account. An investigation by the Frauds Bureau and the Colonie Police Department led to the arrests on 6/30/10.

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- The number of criminal convictions obtained by prosecutors in Frauds Bureau cases totaled 449 at year-end 2010.



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- The Frauds Bureau received 24,161 reports of suspected fraud during 2010, down slightly from the year before.

