

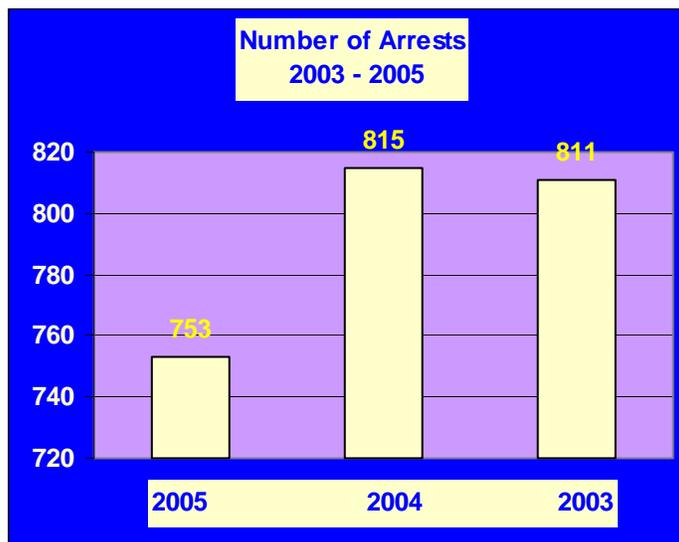
New York State Insurance Department

How Are We Doing? Some Current Statistics

Arrests/Convictions/Fraud Reports

2003 – 2005

- The Frauds Bureau posted 753 arrests during 2005.



Multi-agency investigations with law enforcement agencies on the federal, state and local levels have become commonplace, and the Bureau remains committed to these collaborative law enforcement alliances as we work to eliminate insurance fraud in this State.

A six-month joint investigation by the Frauds Bureau, the Bronx DA's Office and the New York State Inspector General's Office led to the arrest of 16 New York State employees in July. Between December 2002 and April 2005, they allegedly submitted more than \$600,000 in claims for medical treatments they never received. They were also accused of pocketing \$389,423 paid out on those claims. The defendants were employed either

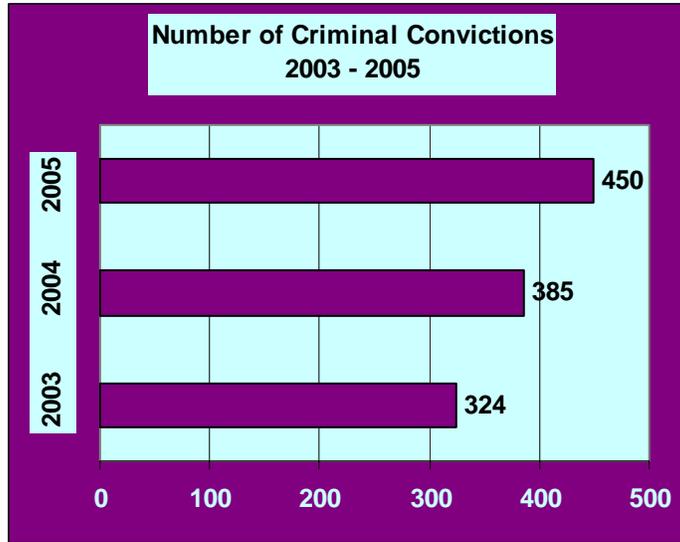
by the New York State Office of Mental Retardation and Developmental Disabilities or the State University of New York and were covered under The Empire Plan, the health insurance program for New York State workers. The investigation began when the insurer discovered that the treatment code on one of the claims was incorrect and contacted the doctor to inform her. The doctor told the insurer that the person who submitted the claim was not one of her patients.

An investigation by the Frauds Bureau and other members of the Federal Health Care Task Force, which includes federal, state and local law enforcement agencies, led to the arrest of 29 suspects in a frauds sweep that took place in both New York City and in the Buffalo-Niagara region in August. The suspects were 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 miles away in Brooklyn at the time of the alleged accidents.

An investigation by the Frauds Bureau, the NYPD and the Brooklyn DA's Office led to the arrest of 37 individuals, including one known Mafia associate, charged with auto theft, the sale of stolen auto parts and insurance fraud. The base of this operation was an NYPD-run salvage yard in Brooklyn called Brownsville Auto Salvage. The business was leased and operated by the NYPD for 18 months. Within that time, the yard took delivery of more than 100 cars that were either stolen or "given up." Cars were stolen from the five boroughs of New York City, as well as Nassau and Suffolk Counties, Connecticut and New Jersey. In the case of the "give-ups," car owners voluntarily gave their cars to middlemen who took the cars to a chop-shop. When the owners received word that their cars had been dismantled, they reported the theft to their insurers and collected the insurance payment. Car owners who gave up their cars include a U.S. Postal worker, an accountant, an architect, a Verizon employee, a Con Edison employee and individuals from the Departments of Sanitation, Education and Probation. Brownsville Auto Salvage was equipped with cameras and listening devices to document the illegal activity. This investigation is ongoing and more arrests are expected. In fact, an upstate chef was arrested on 12/9/05 as a direct result of Operation Brownsville Auto. This defendant reported to the Brighton Police Department on 6/4/05 that he parked his car and went for a walk. When he returned an hour later, the car was gone. He then filed a claim with GMAC Insurance Company for the loss and included various supporting documents. GMAC paid out more than \$15,500 on the claim. In the meantime, however, the Brighton Police Department and the State Police in Rochester were informed by the New York City Detectives involved in the Brownsville Auto Salvage Operation that they had purchased the defendant's car from a middleman on 5/9/05, more than two weeks before he reported it stolen. The Frauds Bureau and GMAC assisted the Brighton Police Department and the State Police in the investigation that led to his arrest.

The day-to-day investigations conducted by Frauds Bureau investigators that routinely lead to hundreds of arrests throughout the year are also a factor in the Bureau's total.

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- The number of criminal convictions obtained by prosecutors in Frauds Bureau cases stood at 450 at year-end 2005.



- Reports of suspected fraud received by the Frauds Bureau totaled 25,945 for 2005. 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 three years, we have seen a decrease in the number of fraud reports submitted by the industry, a trend directly related to the combined efforts of the Frauds Bureau and prosecutors. Aggressive enforcement of the law leads to a reduction in crime.

The Frauds Bureau achieved its goal of Web-based fraud reporting in 2005. Insurers now report suspected fraud electronically directly via the Web site through a system known as the Blue Zone, which replaced the previous dial-up method using the AT&T Global Network.

