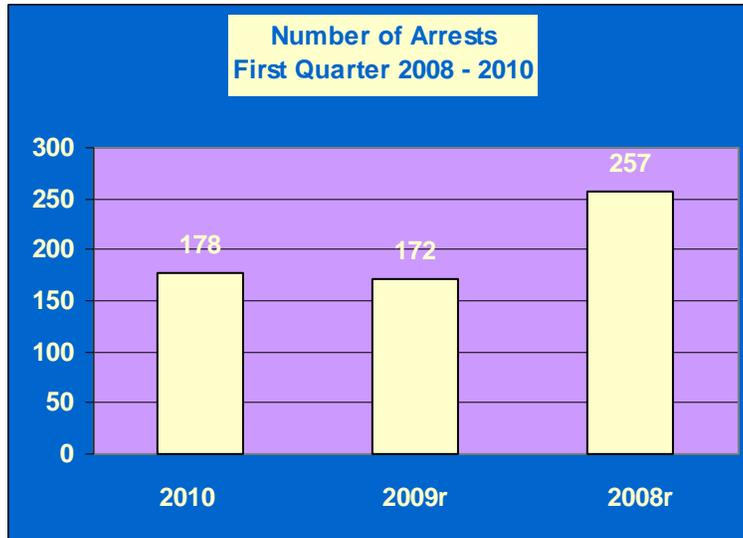


Arrests/Convictions/Fraud Reports

First Quarter 2008 – 2010

- The Frauds Bureau posted 178 arrests during the first quarter of 2010, compared with 172 for the same period in 2009. Investigators collaborated with the insurance industry and law enforcement agencies on the federal, state and local levels in the investigations that led to the arrests.



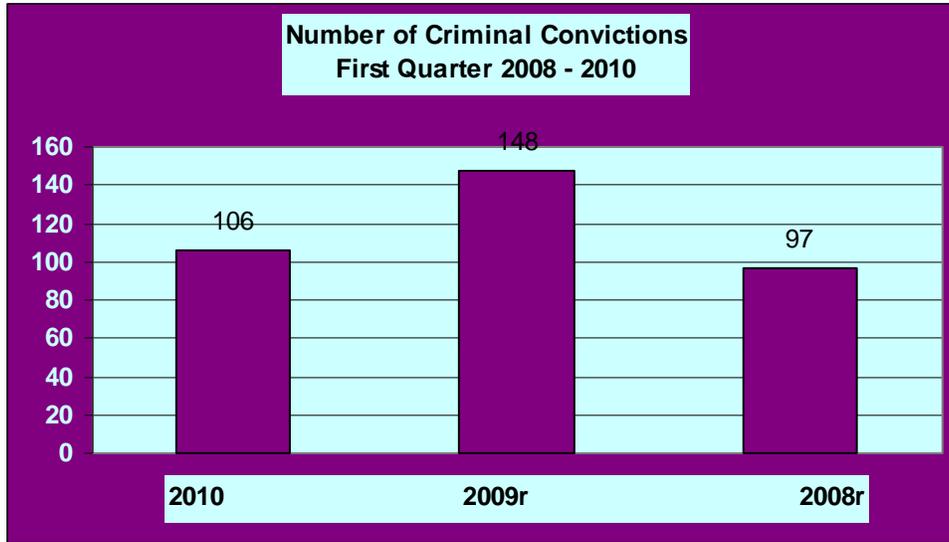
Among the noteworthy cases closed in the January-March 2010 period are the following:

- On 3/1/10, Jeffrey Alnutt was sentenced to 5-to-15 years in prison, his daughter, Aubrey Alnutt-Pagan to 1-to-3 years and her husband to 1 1/3-to-4 years for their part in a 2004 fire at an apartment building owned by Jeffrey Alnutt in which his daughter and son-in-law lived. The jury convicted them of conspiring to set fire to the home in order to collect the insurance payment. They were paid \$210,000 on an insurance claim they filed for the loss. Jeffrey Alnutt also faces arson and murder charges in connection with a fatal fire in December 2007 at another property he owns. He is currently incarcerated in Schoharie Correctional Facility following conviction on a weapons possession charge.
- Complaints made by two property owners prompted an investigation by the Insurance Department's Frauds and Consumer Services Bureaus that led to the arrest of a former licensed insurance agent who was accused of stealing \$15,400 in premiums. The defendant allegedly collected premiums from property owners in 2008 and 2009 but failed to remit them to an insurer. The policies were subsequently cancelled. One of the property owners lost \$25,000 as a result of damage that occurred to the roof of

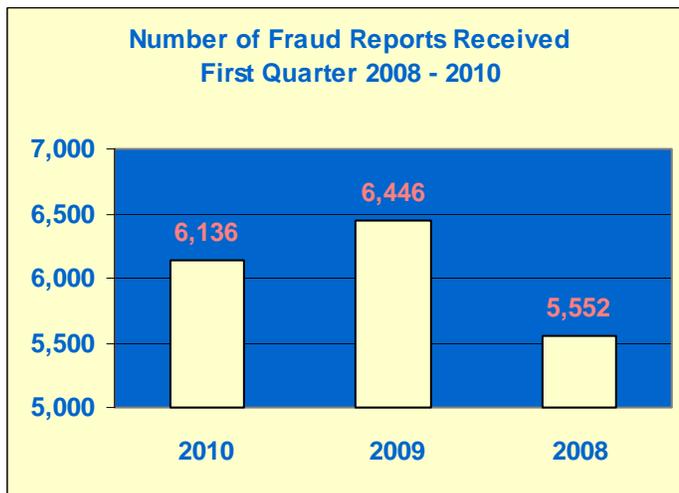
a commercial structure that he paid the agent to insure. The agent's license to sell insurance expired in 2008 when he failed to renew it.

- James Kernan, former president of Oriska Insurance Company, and his wife, Marlene Kernan, former president of monument Agency which acted as the agent for Oriska, had pleaded guilty on 3/20/09 to one count of knowingly and willfully permitting Robert "Skip" Anderson, a three-time convicted felon, to be engaged in the business of insurance. In addition to Oriska, James Kernan ran two other insurers and an agency from headquarters in Oriskany, NY. On 1/29/10, he was sentenced to five years' probation, 400 hours of community service and a \$250,000 fine. Marlene Kernan was sentenced to two years' probation and a fine of \$182,708. Anderson pleaded guilty in July 2008 to conspiracy to commit mail fraud and wire fraud and awaits sentencing. James Kernan and Anderson were indicted on 1/30/08 on charges that they schemed to collect millions of dollars in premiums from professional employer organizations (PEOs) on behalf of Oriska in Arizona, California and Pennsylvania, where they are not licensed, for workers' compensation policies that provided no real coverage. Both men have claimed that the policies were issued in New York, where Oriska is licensed, and transferred by the PEOs to affiliates in other states. In July 2006, the FBI raided Kernan's offices in Oriskany and a motel that Anderson was using as a business office. Within several days, the Superintendent of the New York Insurance Department took over Oriska with court approval. However, the company was returned to Kernan by the New York Supreme Court. Kernan subsequently resigned his positions as CEO and member of the boards of directors of the three insurance companies. Oriska and one other insurer were given over to new management and the third company was sold.

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- The number of criminal convictions obtained by prosecutors in Frauds Bureau cases totaled 106 during January-March 2010, versus 148 for the same period in 2009 and 97 in 2008.



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- The Frauds Bureau received 6,136 reports of suspected fraud during the first quarter of 2010, compared with 6,446 during the January-March 2009 period and 5,552 in 2008.



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