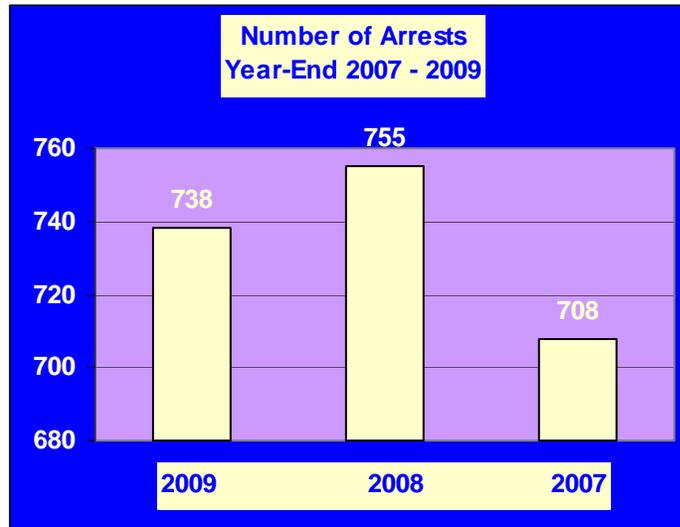


Arrests, Convictions and Fraud Reports

Year-End 2007 – 2009

- Investigations by the Frauds Bureau resulted in 738 arrests in 2009, compared with 755 in the prior year.

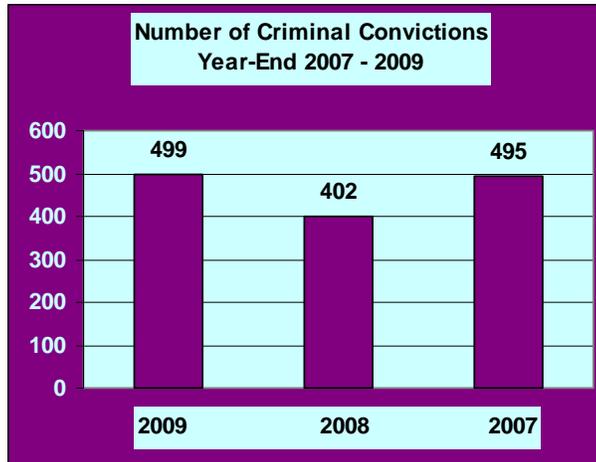


Among the many investigations brought to successful conclusion during the past year are the following:

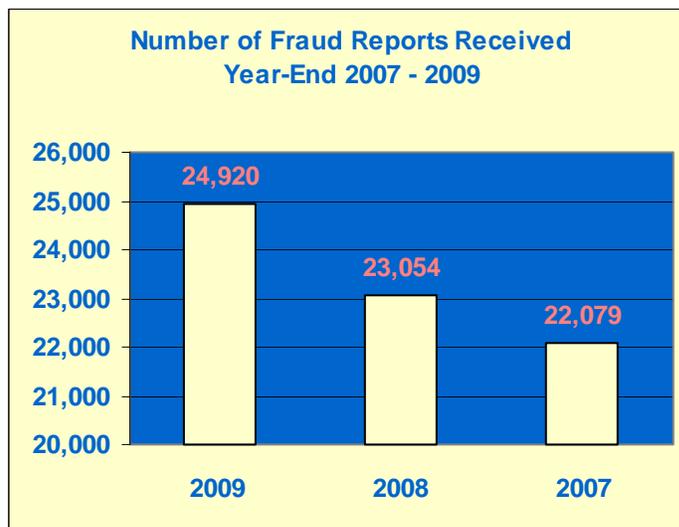
- An investigation by the Frauds Bureau and the U.S. Postal Inspection Service resulted in the arrest of the owner of an insurance brokerage on Staten Island. The investigation was initiated based on a complaint from a broker and former employee alleging that the defendant had misappropriated premiums. The defendant was an agent for Navigators Insurance Company which provided cargo insurance for companies that shipped merchandise overseas. She was responsible for collecting the premiums for each shipment, issuing a certificate of insurance to the insureds, and remitting the premiums to Navigators. However, investigators discovered that when one insured filed a claim with Navigators no coverage existed. Further investigation revealed that the defendant allegedly misappropriated a total of \$407,000 in premiums collected from 16 insureds.
- William Raymond Miller, former chief underwriting officer of Upper Hudson National Insurance Company in Monticello, NY, was sentenced to ten years and one month in federal prison on 6/18/09 for selling \$535 million in fraudulent surety bonds and stealing \$22.5 million in premiums. The court also ordered a personal money judgment of \$22 million against Miller who has already forfeited \$22.5 million to the government, along with real estate in Maryland and Florida. The Frauds Bureau

began investigating Miller in early 2008 after he was fired by Upper Hudson. The insurance company contacted authorities after learning that Miller had sold a worthless \$38 million performance bond purportedly authorized by Upper Hudson. He was accused of keeping \$1.9 million in premiums paid for the bond by a construction company engaged in a project in Nebraska. Under a plea agreement with federal authorities, Miller admitted that from 2005 to April 2008 he used the names of several corporations to sell the worthless bonds on construction projects throughout the U.S. Besides the New York investigation which was conducted by the Frauds Bureau and the U.S. Postal Inspection Service, Miller was also investigated by the FBI and state authorities in Maryland and Florida.

- 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 were never provided. Court papers also alleged that he evaded almost \$1.3 million in income taxes from 2001 to 2003.
 - The owner of a home heavily damaged in a 7/23/09 fire was arrested and charged with deliberately setting the blaze. The home was insured through New York Central Mutual Insurance Company for more than \$500,000 and, though a claim was filed, it was not paid. The arrest followed a two-week investigation into the fire at the two-story frame structure where the defendant lived with his wife and three children. No one was at home when the fire was discovered by a neighbor who called the fire department. About 75 firefighters from Oneonta and surrounding departments, two of whom were injured at the scene, fought the blaze. The Oneonta Police and Fire Departments and the Frauds Bureau, with the assistance of a private investigator from New York Central Mutual, conducted the investigation that determined the fire was incendiary.
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- The number of criminal convictions obtained by prosecutors in Frauds Bureau cases totaled 499 in 2009, up from 402 in 2008.



- After several years of decline, the number of suspected fraud reports received by the Frauds Bureau began to rise in 2007 and that trend continued through 2009. Suspected fraud reports totaled 24,920 in 2009, an increase of more than 8 percent over the total for 2008.



- The Frauds Bureau's Web-Based Case Management System, known as FCMS, was fully implemented in the first quarter of 2007. In 2009, approximately 90 percent of the Bureau's fraud reports (IFBs) were electronically transmitted and received remotely from insurers. Insurers have access to FCMS through the Department portal using secure accounts.

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. Frauds and Systems Bureaus staff continually monitor the system and make improvements and adjustments as necessary.