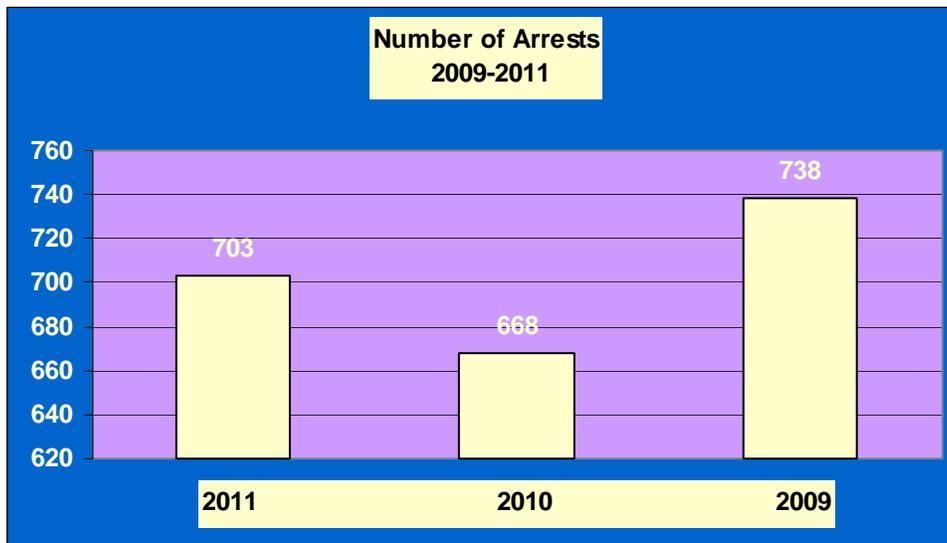


Arrests, Convictions and Fraud Reports

Year-End – 2011

- Investigations by the Insurance Frauds Bureau resulted in 703 arrests in 2011, versus 668 in the prior year.



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

- A 16-month undercover investigation led to the takedown of an auto-theft ring based in Queens accused of stealing 17 cars over the past year and reselling them on craigslist, as well as to family members and friends. The crew stole the cars, changed the vehicle identification numbers (VINs) and registered them with “washed” titles. Ten suspects were arrested on 2/9/11, six of whom were charged with enterprise corruption under New York State’s Organized Crime Control Act. If convicted, these six suspects face up to 25 years in prison. The investigation used court-authorized wiretaps and surveillance, as well as undercover work. During the execution of a search warrant at the home of the alleged ringleader, investigators recovered 100 VIN plates and federal stickers, eight cell phones, numerous keys and a key making kit and titles. In addition, evidence indicating that this defendant was bleaching \$1 bills and using his printer to make counterfeit \$100 bills was also found. A second search warrant executed at the home of two co-defendants yielded a .22 caliber semi-automatic and numerous rounds of ammunition for a variety of firearms including an AK-47 and a .9mm. Numerous stickers, VIN plates, titles and keys were also recovered. The investigation was conducted by the Queens DA’s Office and the NYPD’s Auto Crime Division, with the assistance of the Insurance Frauds Bureau and the National Insurance Crime Bureau.

- In a twisted tale of homeowners insurance fraud, an upstate man filed a claim with Nationwide Insurance Company after his home was destroyed by fire and he was reimbursed \$300,000 for the loss. He subsequently was contacted by a Nationwide claims representative who informed him that he believed he could get the homeowner an additional settlement with the help of a lawyer friend. The deal was that the unnamed lawyer would get half of whatever additional compensation the homeowner received. The homeowner agreed although he later said that he doubted there would be any additional money. About ten days later, the claims rep informed him that the attorney had been able to arrange an additional settlement of \$89,822 and produced the check from Nationwide. As a claims rep, the defendant was authorized to settle claims and write settlement checks on behalf of the company. The claims rep told the homeowner that the attorney in question wanted his name kept out of the transaction. So the homeowner was asked to write a personal check payable to the claims rep for \$44,911 – half the amount of the additional settlement. The claims rep advised the homeowner to deny any knowledge of this transaction if Nationwide were to ask. A red flag went up and the homeowner reported his suspicions to Nationwide. The claims rep was fired after Nationwide learned that he had cashed the homeowner's check and deposited the money into his personal account. He was arrested on 4/13/11 following an investigation by the Insurance Frauds Bureau and Nationwide.
- On 3/30/11, agents from the FBI and the IRS contacted the Insurance Frauds Bureau for assistance in a case involving health care fraud. An investigation revealed that a Rochester attorney was receiving large quantities of prescription pain killers from a local doctor, though his medical records did not support the necessity for those medications. Over a five-year period, Excellus Health Plan paid out \$398,793 for the illegally obtained medications. Following a sealed federal grand jury indictment, a warrant was issued and the attorney was arrested on 5/11/11 and charged with health care fraud, attempt/conspiracy to possess/obtain controlled substances and providing a false statement under provisions of the U.S. Code.
- The treasurer of a demolition and excavation contracting company under contract with the City of Rochester, demolished dozens of homes that contained asbestos. However, she allegedly provided false information about the nature of her business in order to pay the State Insurance Fund a reduced premium for workers' compensation insurance coverage. As a result of her actions, she defrauded the State Fund of \$75,767 in premiums she rightfully owed. The Insurance Frauds Bureau, the State Fund and the Workers' Compensation Board's Office of the Fraud Inspector General assisted the Rochester Police Department and the Monroe County DA's Office in the investigation that led to her arrest on 6/9/11. She was charged with violation of the Workers' Compensation Law and related crimes.
- An investigation by the Insurance Frauds Bureau and the State Police resulted in the 8/24/11 arrest of a New York-licensed insurance broker who was charged with grand larceny and falsifying business records. Evidence was uncovered that indicated she stole \$16,620 in cash premium payments while employed at an insurance agency in

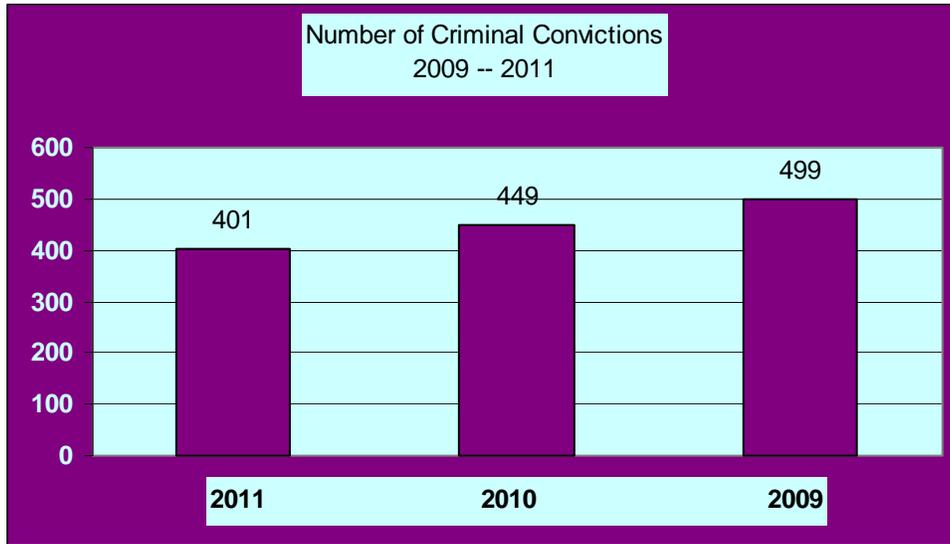
Saugerties, NY. The suspect also allegedly used the agency's accounting software to make false entries into its business records in order to conceal the theft.

- In a continuing investigation by the Insurance Frauds Bureau and the U.S. Department of Health and Human Services Office of the Inspector General, a fourth suspect was charged with health care fraud. Three suspects had previously been arrested in connection with a scheme to steal blank prescription pads, write prescriptions for controlled substances and have them filled. Further evidence indicated that this fourth suspect had allegedly stolen prescription pads from medical facilities, sold some of the pads and filled prescriptions for controlled substances with the remaining pads. He then sold the medications he illegally obtained. A search warrant was executed at his Bronx residence on 9/21/11 and he was arrested.
- Twenty-four defendants were charged with health care fraud for their participation in billing scams that defrauded insurers, Medicare and Medicaid out of millions of dollars. Twenty-two of the defendants were accused of causing no-fault insurers to pay out millions in reimbursements for medical treatment that was never provided or that were medically unnecessary. Two indictments charged were doctors who faked ownership of medical clinics, concealing the fact that the true owners were not medical professionals. These "front" doctors and other health care providers and clinic employees caused fraudulent bills to be submitted to insurers. Charges were also brought against "runners" who were paid to recruit patients and patients who faked and exaggerated injuries from auto accidents. The patients allegedly were coached by clinic employees on how to describe their purported injuries if questioned by insurance companies. A third indictment named two operators of a medical supply company for allegedly forging doctors' signatures and prescriptions to support fraudulent billing to Medicare and Medicaid for durable medical equipment. Twenty-two defendants were arrested on 10/20/11. Another defendant was previously arrested on a Complaint. The final defendant remains at large. All of the defendants face a maximum sentence of 20 years in prison. Six search warrants were executed and ten accounts were frozen in connection with this investigation which was conducted jointly by the Insurance Frauds Bureau, the Office of the U.S. Attorney for the Southern District, the FBI, the NYPD and U.S. Department of Health and Human Services.
- An arrest sweep covering ten upstate counties and conducted over the course of the month of November netted 19 suspects. Fifteen of the suspects were found to be working while fraudulently collecting benefits. Three suspects falsely reported that their injuries occurred on the job when in fact they had not. The final suspect cashed seven benefit checks that were issued to her deceased husband. All told, the 19 suspects fraudulently collected benefits in amounts ranging from \$1,790 to \$53,760. The arrests of two other suspects are anticipated. They allegedly engaged in a conspiracy to file false information regarding an incident involving a suspect already arrested. This suspect, a teacher aide, claimed she broke her ankle on the job when the accident actually happened at her home. The sweep was conducted in the following

counties: Oneida, Ulster Otsego, Warren, Chenango, Clinton, Tompkins, Albany, Jefferson and Schenectady Counties.

- Five former employees of a Colonie, NY, firm that conned property owners, banks and lenders in a large-scale mortgage fraud scheme are headed behind bars and together will owe \$18,387,633 in restitution. They were sentenced on 12/5/11 in Albany County Court. The firm, Rivertown Investments, is now defunct. The defendants solicited homeowners in financial distress to sell their homes to Rivertown. The company leased the homes back to the homeowners for usually 18 months under promises of net equity to be held as down payments on the repurchase of the properties. But the homes were never sold back. Customers were evicted and clients who repurchased homes were forced to spend thousands of dollars beyond their initial agreements. Rivertown sales agents duped customers into believing the company would buy the homes while the firm actually hired straw buyers to apply for mortgages. The straw buyers would sign a "series agreement" or other documents to become members of Rivertown holding companies that received titles to the properties but never spent any money required under the deals. One of the suspects was a straw buyer on 16 properties. The five suspects, Geoffrey Goldman, former owner of Rivertown; Kevin Wheatley, former in-house counsel and executive vice president; Jonathan Goldman, former vice president; Jessica Peryea, former sales director; and Jordan Laccetti, former loan officer, were arrested on 10/6-7/10 on charges of grand larceny, scheme to defraud and related crimes. In February 2008, the New York State Attorney General's Office requested the assistance of the Insurance Frauds Bureau in the investigation that led to the arrests.

The number of criminal convictions obtained by prosecutors in Insurance Frauds Bureau cases totaled 401 at year-end 2011.



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- The Insurance Frauds Bureau received 23,422 reports of suspected fraud during 2011, down slightly from the year before.

