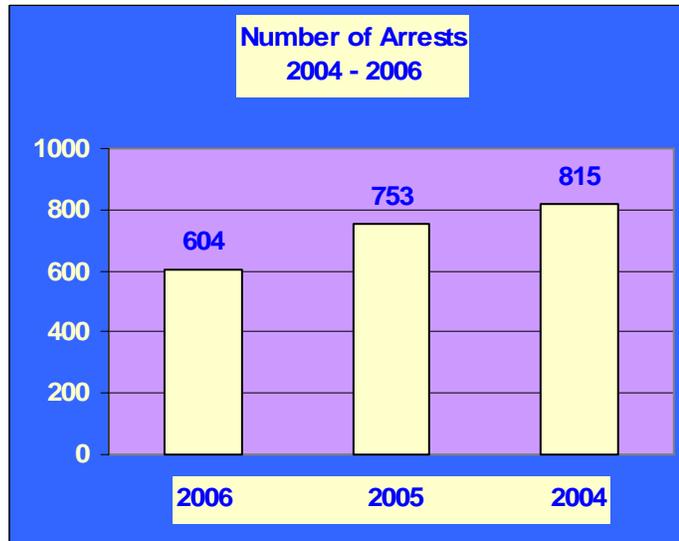


Arrests/Convictions/Fraud Reports

2004 – 2006

- The Frauds Bureau posted 604 arrests during 2006.



The Frauds Bureau's continued efforts to work closely with its fraud-fighting partners in law enforcement and the insurance industry reflect our Statewide approach to combating insurance fraud. Collaborative alliances with agencies on the federal, state and local level resulted in numerous success stories in 2006. The following cases are among them:

- An investigation by the Frauds Bureau, the Attorney General's Office, the New York State Banking Department, the Brooklyn and Suffolk County DA's Office, the FBI, the U.S. Department of Labor, the New York State Department of Taxation and Finance and the New York-New Jersey Waterfront Commission led to the arrest of eight individuals for their participation in a multi-million dollar residential mortgage fraud scheme. The Attorney General also announced the filing of a civil forfeiture action seeking recovery of more than \$8 million from the defendants. These defendants stole millions of dollars from banks and other financial institutions by submitting false and forged documents to secure mortgage loans. A scheme detailed in the indictment involved the sale of a house in Brooklyn. The true purchase price was \$310,000. However, the group informed the bank that the price was \$450,000 and applied for a loan in that amount. The group provided the bank with false information about the financial condition of the person they paid to pose as a legitimate buyer and filed a forged appraisal report. They then pocketed the bulk of the inflated amount and allowed the loan to go into default.

- Based on information received from a confidential informant, the Frauds Bureau and the Suffolk County District Attorney's Insurance Crimes Bureau initiated an undercover operation late in 2005 into the activities of two business partners in a bakery in Brooklyn. Over the course of the following year, 15 undercover operations were conducted by the confidential informant and a Suffolk County DA's Office investigator, both working undercover. The meetings were audio and/or video taped, producing evidence that these two suspects were operating a rehabilitation/occupational therapy clinic in Hialeah, Florida, and fraudulently billing Medicare using a computer at the Brooklyn bakery. In May 2006, the Suffolk County undercover initiated discussions about purchasing the clinic and between September and November paid \$75,000 in down payments. The clinic was run by an office manager who was given about \$10,000 a week by the two Brooklyn suspects to pay runners and patients. Runners were paid \$800 to \$1,200 for each patient they referred to the clinic, while the patients themselves received \$500 for each cycle of treatment. In mid-2006, investigators from the National Insurance Crime Bureau and the Suffolk County DA's Office contacted the Hialeah Police Department to inform them of their suspicions about the clinic. Subsequently, the Hialeah Police Department, the Florida State Attorney's Office, the Office of the Inspector General of the U.S. Department of Health and Human Services (HHS) and the FBI joined the investigation. Copies of records and videos were mailed to the Florida investigators using a federal express account set up by HHS. A Hialeah Police Department undercover investigator posed as the office-manager-in-training who supposedly would take over when the sale of the clinic was completed. Based on the paperwork the undercover processed during her training, the clinic submitted allegedly fraudulent billing of more than \$200,000 a month. On 12/20/06, the two business partners, their accountant and one other suspect in the fraud scheme were arrested in New York. The office manager and 13 other suspects were arrested in Florida. Three search warrants were executed in New York and \$200,000 in cash and other evidence were seized. Asset forfeiture is also being considered in this case.
 - Interagency cooperation among members of the Frauds Bureau, the New York City Police Department, the Albany County DA's Office, the DMV and the New York Automobile Insurance Plan led to the arrest of eight downstate men who were charged with using upstate addresses to register a fleet of vehicles that were used exclusively in New York City. Seven of the eight resided in the five boroughs; the eighth suspect lived in Orange County. These defendants were able to reduce their auto insurance premiums by nearly \$1.5 million by fraudulently registering their vehicles in upstate counties where commercial auto rates are relatively low. If convicted, six of the men face up to seven years in state prison. The other two could serve up to 15 years behind bars because they were charged with more counts of fraud and offering a false instrument for filing.
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- The number of criminal convictions obtained by prosecutors in Frauds Bureau cases stood at 473 at year-end 2006.



The Fraud Bureau received 22,884 reports of suspected fraud during the past year. The 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's Web-based Case Management System was geared up for roll-out during the last quarter of 2006 and is now in the test phase. Assistance Chief Investigator Karen Silverstein, who, with other members of the Frauds and Systems Bureaus, has guided this initiative since its inception, conducted a prototype demonstration of the system in November for members of the insurance company Special Investigations Units. The input provided by the industry at the demonstration proved helpful in working out kinks and making appropriate improvements during the test phase. Full implementation will take place during the first quarter of 2007. When fully implemented, the system will have an on-line Help Center and a Manual of Operations.

**Number of Fraud Reports Received
2004 - 2006**

