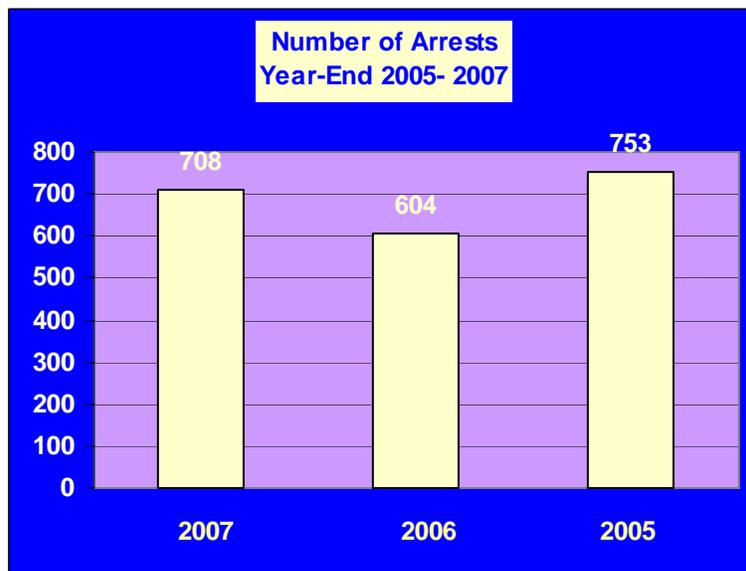


Arrests, Convictions and Fraud Reports

Year End 2005 – 2007

- Investigations by the Frauds Bureau resulted in 708 arrests in 2007, compared with 604 in 2006.

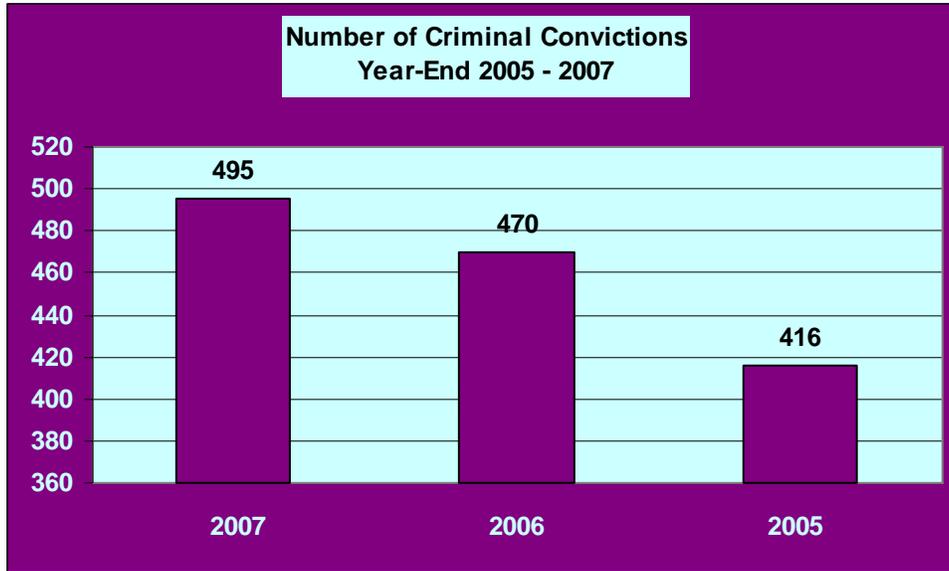


Numerous investigations were brought to successful conclusion during the past year, including the following:

- The co-owners and operators of a scrap yard in Niagara Falls were arrested on 12/5/07 and charged with numerous counts of grand larceny, criminal mischief and dismantling vehicles without a registration. They were accused of stealing vehicles with the likely help of a tow truck and crushing or dismantling them for scrap. Investigators believe that they targeted low-end cars because they could do so without raising a lot of eyebrows. On 9/5/07, a search warrant was executed at the office/home of one of the suspects and a second warrant at the scrap yard where two stolen vehicles were located. Business records were also confiscated and turned over to the State Department of Taxation and Finance to determine whether proper sales tax was collected. The joint investigation was conducted by the Frauds Bureau, the State Police, the Niagara Falls Police Department, the DMV and the Police Departments from the Town of Niagara, Cheektowaga, North Tonawanda, Buffalo and Lockport.
- A two-year investigation into Internet drug sales was conducted by the Albany County DA's Office, working with the Frauds Bureau, the New York State Health

Department's Bureau of Narcotics Enforcement, the Florida Attorney General's Office, the U.S. Justice Department and the IRS. The investigation led to the arrest on 2/27/07 of four suspects with ties to a pharmacy in Orlando, FL, that did an estimated \$6 million in business in New York State during 2006, including \$250,000 in drugs that were sold and shipped directly to Albany County. The pharmacy allegedly filled prescriptions for steroids and human growth hormone via the Internet in order to circumvent federal and state prescription drug laws. New York has some of the strictest drug laws in the country. Arrested during a raid on the pharmacy were the husband and wife who co-owned the business, the husband's pharmacist brother, and the company's marketing director. Twenty additional suspects were subsequently arrested, the most recent on 10/17/07. Among them were two doctors, one of whom was practicing without a license. Both were charged and convicted for their participation in the scheme. Thus far, there have been ten convictions in the case. The unlicensed doctor was sentenced to a minimum of two-to-four and a maximum of three-to-six years in prison. The remaining nine suspects received five years probation. Among them were the pharmacy's sales representatives. The cases against 12 other suspects are pending.

- The owner of a Queens limousine service and two chop-shop owners were arrested in September for their participation in an auto-theft ring. Thirteen others have also been charged, the most recent on 11/6/07, bringing to 16 the number of defendants arrested in this case. Ring members were accused of stealing private limousine-style vehicles (e.g., Lincoln Town cars, Mercedes Benzes and Ford passenger vans) which were then transported to the chop shop where they were dismantled. The parts were used to maintain the fleet owner's vehicles. The 21-month-long investigation that led to the arrests was conducted by the Frauds Bureau, the NYPD's Auto Crime Division and the Queens DA's Office.
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- The number of criminal convictions obtained by prosecutors in Frauds Bureau cases totaled 495 at year-end 2007, versus 470 in the prior year.



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- The Frauds Bureau received 22,079 reports of suspected fraud during 2007, down from 22,884 in 2006 and 25,945 in 2005. There has been a steady decline in the number of fraud reports submitted by insurers over the past four years, a trend related to the combined efforts of Frauds Bureau investigators and diligent prosecutors. Aggressive enforcement of the law leads to a reduction in crime.



- The Frauds Bureau's Web-Based Case Management System, known as FCMS, has been fully implemented since the first quarter of 2007. Approximately 85% of the Bureau's 2007 fraud reports (IFBs) were electronically transmitted and received remotely from insurers. The insurers obtained secure accounts through the Department portal which allows them access to FCMS. Once the IFBs are received, they are automatically routed to the appropriate supervisor for review and assignment to an investigator.

Insurers benefit from automatic acknowledgment of fraud reports, automatic notification of case assignments and eventual case disposition. Insurers also benefit from online help screens and an online manual of operations, as well as search and cross-reference features. Bureau staff will continue to monitor the system and make improvements and changes as necessary.