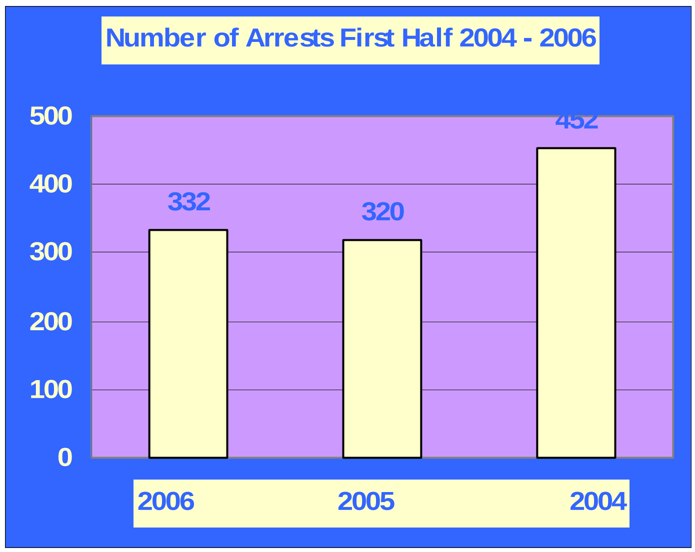
Arrests and Convictions

First Half 2004 – 2006

- Frauds Bureau arrests for the first half of 2006 totaled 332, compared with 320 for the same period in 2005.

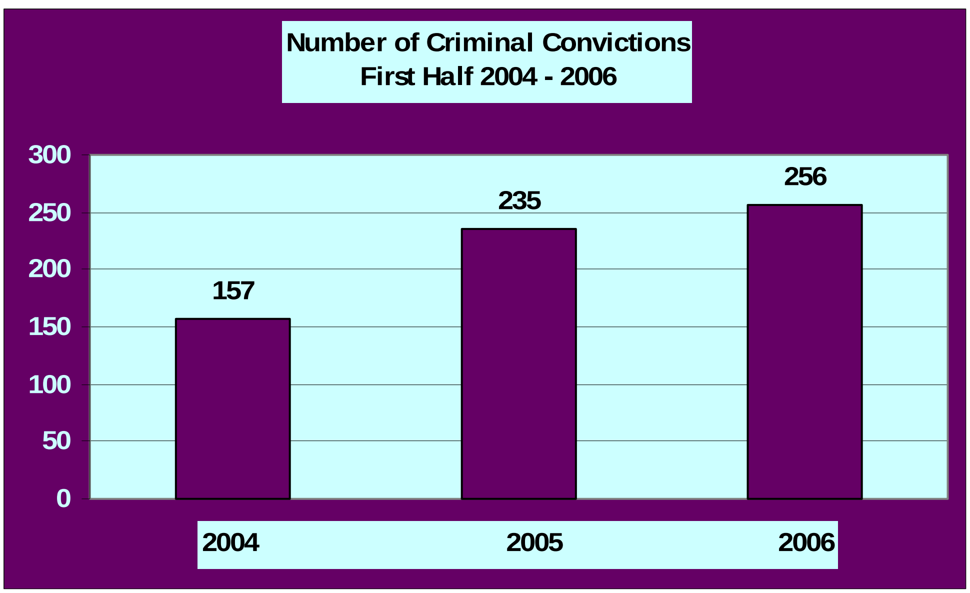


In addition to the day-to-day investigations conducted by Frauds Bureau investigators that routinely lead to hundreds of arrests throughout the year, a number of major cases accounted for the January – June arrest total.

- Five members of a family of seven previously accused of participating in an elaborate insurance scam were indicted on 6/13/06 for the second time in three months. All seven family members were arrested in March on similar charges. They have been accused of staging hundreds of auto accidents over 15 years targeting elderly and drunken drivers, and then filing fraudulent insurance claims. A two-year investigation by the Frauds Bureau and the Albany County DA's Office brought about the arrests on 3/15/06 of a well known Albany area prizefighter and his wife, father, sister, brother and sister-in-law. The matriarch of the family was arrested the following day. This recent indictment included the two brothers, their wives and their father.

- An investigation by the Frauds Bureau, the AG's Office and the New York State Banking Department led to the indictment of eight individuals in May in connection with a multi-million dollar residential mortgage fraud scheme. One additional suspect remains at large. The group, including two real estate attorneys, operated primarily in Queens, Brooklyn and Suffolk County. Members of the group paid others, known as "straw buyers, to pose as legitimate real estate buyers. False information about these straw buyers' employment, income and financial assets were provided to banks in order to obtain loans. The banks were also provided with false real estate appraisal reports that often misrepresented the physical conditions of the properties, the market value of comparable properties and the identities of the individuals (members of the group) who prepared the reports. As a result, the value of individual properties was inflated by $100,000 or more. The ultimate losers were the financial institutions, which provided mortgage loans based on the fraudulent applications. An example cited in the indictment concerns a January 2004 sale of a house in Brooklyn. Although the true purchase price was $310,000, the group told the bank that the price was $450,000 and applied for a loan in that amount. The group gave the bank false information about the straw buyer that it recruited as a front man and submitted a forged appraisal report. The group then pocketed the bulk of the inflated amount and allowed the loan to go into default.

- The number of criminal convictions obtained by prosecutors in Frauds Bureau cases stood at 256 for the first six months of 2006, versus 235 for the January – June period in 2005 and 157 in 2004.



- The Frauds Bureau received 11,843 reports of suspected fraud during the first six months of 2006, down by 14% from the same period in 2005. 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 Frauds Bureau investigators and prosecutors. Aggressive enforcement of the law leads to a reduction in crime.

The Frauds Bureau implemented a system of Web-based fraud reporting and insurers now report suspected fraud electronically directly via the Web site. The system is known as the Blue Zone, which replaced the previous dial-up method using the AT&T Global Network.