Financial Frauds and Consumer Protection Report

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INTRODUCTION

This report, required under Section 409(b) of the Financial Services Law, summarizes the activities of the Financial Frauds & Consumer Protection Division (ñFFCPDò) of the Department of Financial Services (ñDFSò) in combating fraud against entities regulated under the banking and insurance laws, as well as fraud against consumers; the Departmentôs handling of consumer complaints; and the Departmentôs examination activities in the areas of consumer compliance, fair lending, and the Community Reinvestment Act.

FFCPD Organization and Oversight

The FFCPD encompasses the units described below:

- **Civil Investigations Unit:** Investigates civil financial fraud and violations of consumer and fair lending laws, the Financial Services Law, the Banking Law and the Insurance Law;

- **Criminal Investigation Unit:** Handles banking, criminal investigations, and insurance frauds;

- **Consumer Assistance Unit:** Handles complaints against all regulated entities and individuals, and insurance producer licensing;

- **Consumer Examinations Unit:** Conducts fair lending, consumer compliance, and Community Reinvestment Act examinations, and is responsible for the Banking Development District Program;

- **Disciplinary Unit:** Brings disciplinary proceedings against insurance producers for violations of the Insurance Law;

- **Holocaust Claims Processing Office:** Advocates on behalf of Holocaust victims and their heirs, seeking the just and orderly return of assets to their original owners;

- **Student Protection Unit:** Protects students from fraud and misrepresentation in the market for financial products and services; monitors student-related financial practices in New York; and educates student consumers and their parents about available financial products and services.

Section 404 of the Financial Services Law provides that the Superintendent is authorized to investigate activities that may constitute violations subject to Section 408 of the Financial Services Law, or violations of the Insurance Law or Banking Law. In addition, where the Superintendent has a reasonable suspicion that a person or entity has engaged or is engaging in fraud or misconduct under the Banking Law, the Insurance Law, the Financial Services Law, or other laws that give the Superintendent investigatory or enforcement powers, then the Superintendent is empowered to investigate or assist another entity with the power to do so.

CIVIL INVESTIGATIONS AND ENFORCEMENT ACTIVITIES

The Civil Investigations Unit investigates civil financial fraud and violations of consumer and fair lending laws, the Financial Services Law, the Banking Law, and the Insurance Law. Discussed below are some of the Unitôs investigations, activities, and initiatives in 2016.

Payday Lending Investigation

In early 2013, based on consumer complaints, DFS launched a comprehensive initiative to stop illegal online payday lending in New York. As part of the investigation, on February 22, 2013, DFS sent letters to all debt collectors in New York stating that it is illegal to attempt to collect a debt on a payday loan because payday loans are illegal in New York. Various parts of the initiative have been detailed in prior FFCPD Annual Reports; ongoing elements of the initiative are discussed below.

- **Payday Loan Debt Collectors:** In May 2016, DFS announced settlements with two debt buyers who improperly purchased and collected on illegal payday loans made to New York consumers. DFSôs investigation uncovered that National Credit Adjusters, LLC (NCA) had attempted to collect on 7,325 payday loan debts of New York State consumers and collected payments on 4,792 of those debts between 2007 and 2014. The DFS investigation also found that NCA had engaged in unlawful debt collection practices when NCA sought to collect on illegal payday loan debts of New York consumers. NCA repeatedly called consumers at home and at work, threatened to call consumersô employers, and called their family members to pressure them to pay the payday loan debts. Pursuant to the Departmentôs settlement, NCA discharged more than $2.26 million in New York consumersôpayday loan debts, provided refunds totaling $724,577 to more than 3,000 New Yorkers and paid a $200,000 penalty.

  DFS also found that debt buyer Webcollex LLC (doing business as CKS) had attempted to collect on hundreds of payday loan debts of New Yorkers and did collect payments from 52 New York consumers. Under the settlement with DFS, CKS issued $66,129 in refunds to the 52 New York consumers affected by its unlawful practices, discharged $52,941 in debt to 106 New Yorkers, and paid a $25,000 penalty.

- **Payday Loan "Lead Generators":** In March 2016, DFS announced a $1 million settlement with Blue Global LLC and its CEO, Chris K. Kay, to resolve Blue Globalôs marketing of illegal, online payday loans to New York consumers and its misrepresentations that it provided top security for consumersôpersonal information submitted through Blue Global websites. Blue Global collected and shared more than 350,000 applications from New York consumers with payday lenders, online data aggregators, and other third parties, and sold more than 177,000 New York consumer leads. Blue Global knew that the lenders to whom it connected New York consumers charged annual percentage rates of more than 500%, far in excess of the interest rate cap in New York. The company encouraged consumers to apply for payday loans with repeated assurances about its protocols for maintaining the security of consumersô personal information, when in fact it did not protect consumersôinformation when

sharing it with third parties. Under the settlement, the parties agreed to pay a $1 million penalty to the Department, stop marketing payday loans to New York consumers, and implement data security measures for future collection of consumersô personal information should it do any business in New York in the future.

Condor Capital Corporation

In April 2014, DFS commenced an action in the United States District Court for the Southern District of New York against Condor Capital Corporation, a domestic licensed sales finance company headquartered in New York that acquired and serviced subprime automobile loans, and its owner, Stephen Baron. The complaint alleged, among other misconduct, that Condor was hiding the existence of customersô positive credit balances and retaining them for itself, and sought restitution for consumers and the appointment of a receiver. This was the first legal action by a state regulator under Section 1042 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (ñCFPAò). The Court granted the Departmentôs motion for a preliminary injunction and appointed a receiver in May 2014. In December 2014, DFS reached a settlement with the defendants, and the Court entered a Final Consent Judgment, under which Condor and Mr. Baron made full restitution, plus interest, to all aggrieved customers nationwide (an estimated $8 million to $9 million) and paid a $3 million penalty. In addition, Condor admitted to violations of CFPA, the Truth in Lending Act, and the Banking and Financial Services Laws; Mr. Baron admitted to violating the CFPA by providing substantial assistance to Condorôs violations.

As part of the Final Consent Judgment, the receiver conducted an exhaustive sale process that culminated in the District Courtôs December 2015 order confirming the sale of substantially all of Condorôs remaining assets to Och-Ziff Capital Management. In November 2016, the Court approved the receiverôs final report, discharged the receiver, and terminated the receivership. Mr. Baron filed numerous motions in the District Court as well as appeals to the United States Court of Appeals for the Second Circuit throughout the duration of the receivership seeking to enjoin or unwind the sale, all of which were dismissed, although his current appeal of the Courtôs final November 2016 order is pending. Briefing on that appeal will commence in March 2017.

Initiative to Prevent Elder Financial Exploitation

In 2016, as part of its continuing efforts to combat elder financial exploitation, DFS and the Office of Children and Family Services conducted training sessions for New York chartered banks and credit unions in Syracuse and Buffalo, attended by more than 50 people from 23 institutions. In November, the Superintendent gave a well-received plenary address at the Adult Abuse Training Institute in Albany. That conference brought together many public and private service providers, including social service professionals, law enforcement, attorneys, financial professionals, and others dedicated to improving services for vulnerable adults. DFS also led a workshop after the plenary session to discuss current issues in the field. DFS continues to work with APS, law enforcement, and various units in the Department to investigate and resolve complaints of elder financial exploitation.

Pension Lending Investigation

DFS launched an investigation into pension lending in 2013, prompted by reports of high interest loans taken out by pensioners. Companies solicit pensioners over the internet, seeking those who will ñsellò their pensions for a set period of time in exchange for lump sum payments. Results include the following:

- **DFS and CFPB Jointly Sue California Pension Lenders and Their Principals:** Soon after beginning the investigation, DFS entered into a joint investigation with the Consumer Financial Protection Bureau (ñCFPBò). In August 2015, DFS and the CFPB sued two pension lending companies ð Pension Income, LLC, and Pension Funding, LLC ð as well as the companiesô three principals in the Central District of California. The suit alleged violations of the Dodd-Frank Consumer Financial Protection Act and New York Banking and Financial Services Laws for misleading consumers by deceptively marketing the transactions as sales instead of loans, failing to disclose high interest rates and fees, charging interest rates that violate New York usury laws, transmitting money without a license, and violating state laws prohibiting deception. The CFPB and DFS sought to end the illegal practices and prevent further consumer injury and to install a receiver to facilitate winding down the companies and provide consumer relief. In January 2016, DFS, the CFPB, and four of the five defendants agreed to a preliminary injunction that installed a court-appointed receiver. The individuals also agreed to disgorge more than $320,000 to the receivership estate. In February 2016, a final consent judgment was entered into with the same defendants. The receiver continues to administer the receivership estate and work towards winding down the businesses. The Court entered a default judgment against the remaining individual defendant in July 2016, barring him from activities involving financial products and services in New York State and ordering disgorgement.

- **Future Income Payments:** In October 2016, DFS reached a settlement with Future Income Payments, LLC (ñFIPò), formerly known as Pensions, Annuities & Settlements, LLC, and its owner, under which FIP paid a fine of $500,000 and ceased doing business in New York State. An investigation by the Department found that FIP had deceptively represented that its transactions were ñsales of assets,ò rather than loans, and that FIP had loaned and transmitted money without the required licenses. The investigation further found the company had violated Financial Services Law prohibitions against misrepresentation by calling interest charges ñdiscountsò and failing to disclose annual percentage rates to pensioners. FIP also violated New Yorkôs usury laws; some pensioners were charged annual interest rates of more than 130 percent, well beyond New Yorkôs interest rate caps.

  FIP also agreed to revise the total amount owed by New York pensioners to the actual value of the lump sum they were lent and to forgive amounts due over that amount. The amount of loan forgiveness obtained through the settlement totals more than $6.3 million. FIP will refund pensioners who have paid more than the lump sums they originally borrowed or who paid late fees or insufficient fund fees. A third-party administrator, selected by DFS, is overseeing administration of this settlement.

Student Protection Unit

Governor Cuomo established the Student Protection Unit (ñSPUò) as part of his 2014ï 15 Executive Budget to serve as consumer watchdog for New Yorkôs students. SPU is dedicated to investigating potential consumer protection violations and distributing clear information that students and their families can use to help them make informed, long-term financial choices.

In 2016, SPU conducted several workshops at schools, libraries, and community centers across the state. The workshops provided vital information to students, parents, and student loan borrowers about the best way to finance an education and available student loan repayment options. In addition, together with other DFS units, SPU attended the New York State Fair in August and September and answered questions and distributed brochures to help New York consumers better understand student lending. In October 2016, SPU participated in a town hall event at the Borough of Manhattan Community College at which they shared issues that SPU has identified concerning student loan repayment and listened to stories from borrowers struggling to repay their loans.

SPU maintains and regularly updates a comprehensive Student Lending Resource Center on the Departmentôs website. The Student Lending Resource Center includes tips for prospective college students, their families, and graduates already in repayment to help them navigate financial decisions surrounding paying for college.

SPU reviews and successfully resolves complaints regarding student financial products and services, including student loans, student banking products, student debt relief services, and student health insurance. SPU accepts complaints through the DFS online complaint portal and by mail.

In 2015, Governor Cuomo signed Banking Law § 9-w, which required DFS to develop a standard student loan shopping sheet to be used by all New York schools of higher education. In 2016, DFS finalized the Financial Aid Award Information Sheet and enacted regulations that provide students and their families with a summary of what a school will cost, and available payment options. The standardized form makes it easy for students to compare the financial aid packages of different schools. DFS consulted with the Higher Education Services Corporation on the Financial Aid Award Information Sheet and answered questions from colleges as they incorporated the sheet into their financial aid award processes.

Contestable Claims

In the spring of 2016, the Department began an investigation into the practices of two insurance companies concerning their contestable claims practices, Unity Mutual Life Insurance Company and Columbian Life Insurance Company. The companies sold small face amount final expense policies, among others, to cover costs associated with funerals, burials, and other final expenses. Under New York Insurance Law, an insurance company may contest a life insurance claim made during the ñtwo-year contestable periodò only if the insurer establishes that there was a material misrepresentation on an application for life insurance to induce the insurer to issue the life insurance policy.

The Department's investigation found that for 257 policies worth more than $2 million, the companies had denied coverage improperly and unilaterally rescinded policies when the policyholder died within the two-year contestable period, without proving that the policyholder had made a misrepresentation on the insurance application, as is required by the Insurance Law. The Department further found that Unity and Columbian had engaged in unfair claims settlement practices by misrepresenting facts and policy provisions relating to coverage and not attempting in good faith to effectuate prompt, fair, and equitable settlements of submitted claims.

DFS and Columbian, which acquired Unity in 2011, reached a settlement in December 2016. Pursuant to the consent order, Columbian agreed to pay a fine of $257,000 and pay for a third-party administrator, selected by DFS, to review and administer the restitution process, including identifying and locating beneficiaries of contestable claims that were unlawfully closed without payment.

Lincoln Financial Group

In 2015, Lincoln National Corporation, doing business as Lincoln Financial Group reported unfair claims settlement practices stemming from its 2006 merger with Jefferson Pilot Corporation. Technical issues arising out of the merger caused Lincoln to lose track of numerous life insurance policies. Consequently, many beneficiaries of New York policies waited weeks, months, or even years before receiving the compensation to which they were entitled.

DFS began an investigation to determine both the number of affected New Yorkers, and when the company knew, or should have known, about the problem. In late 2016, the Department concluded that executives had failed to adequately address early red flags related to the issue. The investigation revealed that although Lincoln performed an internal audit shortly after the merger that highlighted claims processing issues, it had not taken adequate steps to uncover and address the underlying problem of lost policies. The investigation also found that thousands of beneficiaries of New York policyholders were affected. In early 2017, the company agreed to a consent order that includes a $1.5 million penalty, paying out the remainder of more than $50.6 million in claims and interest to affected New Yorkers, and injunctive terms designed to help prevent such problems arising out of future mergers.

DISCIPLINARY UNIT

The Disciplinary Unit oversees the activities of licensed individuals and entities who conduct insurance business in New York State. The goals of the Unit are to protect the public and ensure that licensees act in accordance with applicable insurance laws and DFS regulations. There are currently more than 305,000 licensees in New York. Licensees include producers (agents and brokers), limited lines producers, independent and public adjusters, reinsurance intermediaries, bail bond agents, title agents, and life settlement brokers.

The Unit, in collaboration with the Producer Licensing Unit of the Consumer Assistance Unit, monitors the insurance marketplace and reviews licensing applications to determine if unlawful or unlicensed activity is occurring and, if necessary, take steps to ensure that individuals or entities either achieve compliance or cease activities.

The Omnibus Crime Bill of 1994 disqualifies anyone convicted of a criminal felony involving dishonesty or a breach of trust from employment in the insurance industry. The ban, however, may be lifted if the Superintendent approves a written request to engage in the business of insurance pursuant to 18 U.S.C. §§ 1033 and 1034. The Unit reviews all applications to lift the ban.

When a violation of the Insurance Law is established, the Department may address the violation by imposing an administrative sanction resulting in license revocation or suspension, denying a pending application, or imposing a monetary penalty along with corrective action.

In 2016, the Department entered into approximately 190 stipulations imposing penalties on insurance companies or producers. In addition, 26 licenses were revoked after an administrative hearing, 24 licenses were surrendered with the full force and effect of revocation, and six Section 1033 waivers were approved. The Department also entered into consent orders with three insurance companies in which total fines of $1,405,663 were imposed.

Stipulations in 2016

Type of Action	Total Requested	Total Completed	Fine Amount
Agent/ Broker	139	153	$356,150
Company	37	37	$3,175,515
Total	**176**	**190**	**$3,531,665**

Hearings in 2016

	Requested	Held	Pending
Agent/Broker/Applicant	24	15	9

CRIMINAL INVESTIGATIONS AND ENFORCEMENT ACTIVITIES

Criminal Investigations Bureau

Highlights of 2016

- Court-ordered restitution resulting from the Criminal Investigations Bureauôs (ñCIBò) investigations totaled more than $22.9 million;
- The Mortgage Fraud Unitôs (ñMFUôsò) investigations resulted in six arrests, involving more than $188,000 in losses to victimized homeowners and financial institutions;
- CIB conducted 57 investigations that resulted in 12 convictions;
- Thirty-one new cases were opened for investigation.

Background

The CIB investigates possible violations of the New York Banking Law and certain enumerated misdemeanors and felonies of the New York Penal Code, and takes appropriate action after such investigation. CIB also investigates violations of anti-money laundering laws and regulations, as

well as crimes relating to residential mortgage fraud. In addition, CIB provides support to various operating units within DFS to ensure that applicants for licensing have the requisite character and fitness. In that capacity, CIB reviews applicantsô criminal histories to assist in determinations of whether applicants meet the statutory requirements to be licensed or registered. CIB also conducts due diligence reviews of applicants seeking licenses with the Departmentôs Banking Division.

Operations and Activities

CIB conducts specialized investigations into criminal conduct involving the financial services industry and works cooperatively with law enforcement and regulatory agencies at the federal, state, county, and local levels. Among CIBôs major focuses are the following areas:

Investigations of Money Services Businesses

CIB works closely with numerous federal, state, county, and local regulatory and law enforcement agencies to ensure compliance with federal and state statutes and related regulations pertaining to money services businesses, including licensed check cashers and money transmitters. CIB works closely with the New York/New Jersey High Intensity Crime Area and with the federal Financial Crimes Enforcement Network on matters designed to detect and eliminate the illegal transmission of money within New York State to eliminate illegal money laundering and terrorist financing. CIB also works closely with both federal and state tax officials to identify and prosecute individuals and companies for tax avoidance activities.

Mortgage Fraud Investigations

The Mortgage Frauds Unit was created to combat mortgage fraud by providing investigative expertise and support to regulatory and law enforcement agencies. The MFUôs mission is to investigate mortgage fraud cases throughout New York State; to assist local, state, and federal regulatory and law enforcement agencies in the investigation and prosecution of such cases; and to educate law enforcement and the financial sector in identifying, investigating, and prosecuting mortgage fraud. To further its mission, the MFU hosts a monthly Mortgage Fraud Working Group, created a Mortgage Fraud Training Course to train individuals in the investigation and prosecution of cases, and developed an annual Mortgage Fraud Forum to provide a platform for prosecutors across the state to explore trends and exchange ideas on methods to combat the epidemic of mortgage fraud. Since 2008, CIB has held eight Mortgage Fraud Forums. The forums highlight state and federal investigations and prosecutions, as well as recent mortgage fraud trends including deed thefts schemes, short sale fraud, loan modification, and foreclosure rescue scams.

Since its inception in April 2007, the MFU has participated in investigations that have culminated in charges against more than 282 individuals and involved more than $563.5 million in losses to victimized homeowners and financial institutions. In 2016, mortgage fraud investigations resulted in four arrests and 12 convictions in cases involving more than $188,000 in losses to victimized homeowners and financial institutions.

Major Mortgage Fraud Investigations

Long Island Mortgage Banker Convicted of $30 Million Bank Fraud Conspiracy

In January 2016, after a two-and-a-half-week trial, a federal jury in the Eastern District of New York convicted a mortgage banker of conspiracy to commit bank fraud. With the assistance of others, the banker carried out a $30 million bank fraud by fraudulently inflating prices of homes for sale and then obtaining mortgages that far exceeded the true collateral value of the properties, which were located in Nassau and Suffolk Counties. The banker then re-sold the ñtoxicò mortgages to banks and other investors in the secondary market, causing millions of dollars in losses when the loans went into foreclosure. CIB provided valuable assistance to the United States Attorneyôs Office for the Eastern District of New York.

Defendant Pleaded Guilty to National Mortgage Loan Modification Scheme

An investigation initiated by CIB and referred to the U.S. Attorneyôs Office for the Northern District of New York resulted in the defendant pleading guilty to conspiracy to commit wire fraud in June 2016. The defendant led a mortgage loan modification company that took advantage of hundreds of distressed homeowners across the country seeking mortgage assistance. Some of the schemeôs victims were homeowners whose homes were devastated by Hurricane Sandy in 2012. The defendantôs company offered assistance with loan modifications for a fee, but did little or no work to facilitate a modification after homeowners paid the fee.

Fugitive Couple Arrested in Syracuse Mortgage Fraud Case

After years of extradition proceedings, a husband and his wife indicted for their roles in a mortgage fraud scheme surrendered to New York State in September 2016. The couple were indicted in May 2011 but fled to Canada before they could be arrested. The indictment alleged that from February 2006 to July 2010 the couple had engaged in a scheme in which the husband purchased numerous properties in Syracuse and then immediately flipped the titles to his wife, who applied for refinancing on six of the properties. In refinancing the properties, the couple allegedly falsely stated their assets and submitted forged documents. Relying on the couplesô statements, lending institutions lent them more than $240,000 in mortgage funds. The couple defaulted on the mortgages and forced the properties into foreclosure. CIB conducted the initial investigation and referred the matter to the New York Attorney Generalôs Office (ñNYAGò) for prosecution.

Four Charged in Long Island Mortgage Loan Modification Scheme

In December 2015, four individuals were charged with operating a loan modification scheme in which they represented that they could secure loan modifications for homeowners. The defendants received up-front fees from distressed homeowners but did not provide any services. One defendant pleaded guilty in March 2016, and a second defendant pleaded guilty in May 2016. CIB joined the investigation at the request when the Suffolk County Police Department requested its assistance.

Two Pleaded Guilty in Multimillion-Dollar Scheme to Deceive Homeowners

In May 2015, three individuals, including an attorney, were arrested and charged in connection with a scheme that deceived home owners seeking loan modifications to avoid foreclosure into selling their homes to a for-profit real estate company affiliated with the defendants. In December 2015, three additional individuals were arrested in connection with the scheme. All six defendants, who allegedly acted through an organization that advertised help for homeowners seeking loan modification to avoid foreclosures, were indicted and charged with conspiracy to commit bank fraud and wire fraud. In 2016, two defendants pleaded guilty to conspiracy to commit bank fraud. This is an ongoing joint investigation and prosecution with the U.S. Attorneyôs Office for the Southern District of New York.

Major Financial Fraud Investigations

Former Bank Teller's Co-Conspirator Sentenced in Bank Fraud and Identity Theft Scheme

A former bank tellerôs co-conspirator was sentenced in connection with a bank fraud and identity theft scheme that stole more than $457,000 from customers of a bank. While working at the bank, the former teller unlawfully accessed and stole bank account numbers and personal identification information for more than 200 victims. Her co-conspirator used the stolen information to withdraw funds from 77 customer accounts. The co-conspirator was arrested again and charged in both Queens and Westchester counties, and received sentences of one-to-three years in Queens County and four-and-a-half-to-nine years, to run concurrently, in the Westchester case. CIB referred the investigation to the Crime Proceeds Task Force of the NYAG.

Former Bank Employee Sentenced for Stealing $178,000 from Elderly Woman

A former bank employee pleaded guilty to grand larceny in June 2016 for stealing approximately $178,000 from a blind, elderly customer of a bank between 2011 and 2013. As a customer service manager, the former bank employee would bring deposit or withdrawal slips to the victimôs apartment for her to sign and then bring back the small amounts of cash that she requested; the employee would also write checks for the victim to sign. Unbeknownst to the victim, the bank employee withdrew more than $150,000 in cash from the victimôs account. The bank employee also wrote to checks to himself from a separate account of the victimôs in the summer of 2015. The matter was prosecuted by the New York County District Attorneyôs Office with CIBôs assistance and support.

Mortgage Loan Originator Licensing Support

CIB provides support to the Mortgage Banking Unitôs efforts to comply with the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (ñSAFE Actò). Under the SAFE Act, states are encouraged to increase uniformity, enhance consumer protection, and reduce mortgage fraud through the establishment of a national mortgage licensing system. One of the key tools in the SAFE Act is the requirement of a criminal background check of each mortgage loan originator applicant. During 2016, CIB investigators reviewed 599 criminal history reports related to mortgage loan originator applications filed with DFS.

Due Diligence Support

CIB provides critical due diligence investigative support to the Departmentôs Banking Division to ensure that applicants for licenses have the character and fitness to be licensed by the Department. During 2016, CIB Due Diligence Unit processed 27 due diligence reviews.

CIB Task Force and Working Group Participation

CIB is an active participant in numerous task forces and working groups designed to foster collaboration and cooperation among the many agencies involved in fighting financial fraud. Among the task force groups of which CIB is a member are the following:

- Crime Proceeds Strike Force
- FBI C-3 Mortgage Task Force
- FBI Bank Fraud Task Force
- New York Identity Theft Task Force
- Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network
- New York State Mortgage Fraud Working Group
- National White Collar Crime Center
- New York External Fraud Committee
- Long Island External Fraud Committee

Insurance Frauds Bureau

Highlights of 2016

- The Insurance Frauds Bureau opened 449 cases for investigation;
- Investigations led to $5.1 million in court-ordered restitution;
- Investigations resulted in 295 arrests, 133 of which were for health care fraud;
- Prosecutors obtained 255 convictions in cases in which the Bureau was involved;
- Suspected no-fault fraud accounted for 53% of all fraud reports received by the Bureau.

Background

The Bureau has a longstanding commitment to combating insurance fraud. It is responsible for the detection and investigation of insurance and financial fraud and the referral for prosecution of persons or entities that commit those frauds. The Bureau is headquartered in New York City, with offices in Garden City, Albany, Syracuse, Oneonta, Rochester, and Buffalo.

Reports of Suspected Fraud/Investigations

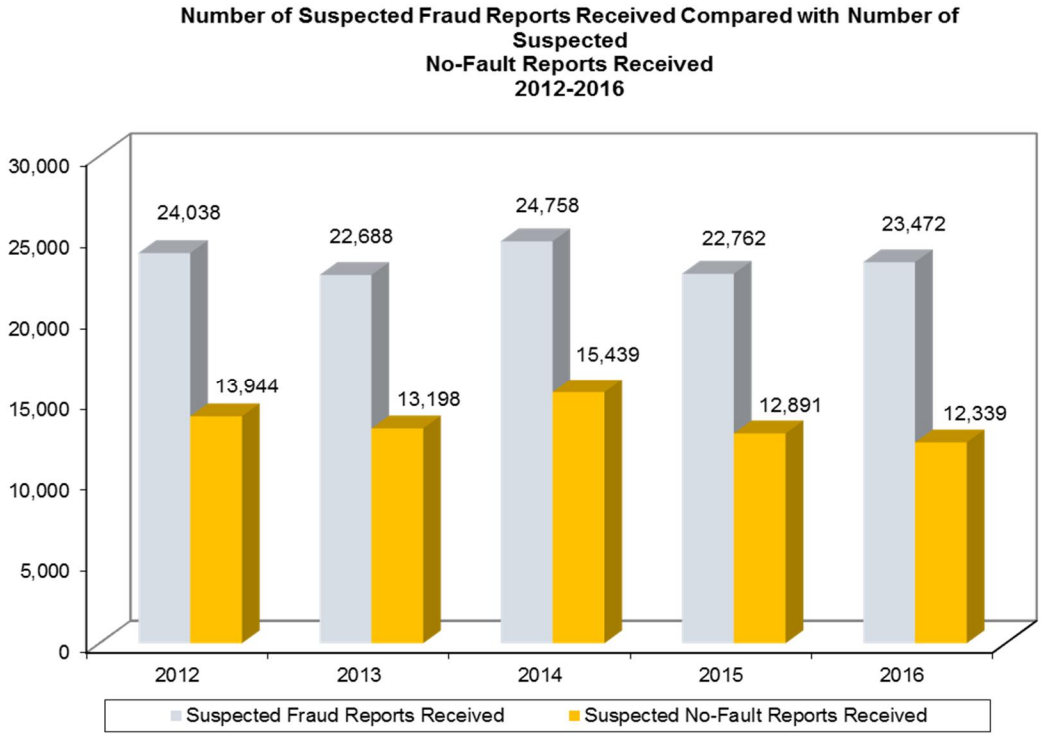
The Bureau received 23,472 reports of suspected fraud in 2016. The majority of those reports ð 22,099 ð were from licensees required to submit reports of suspected fraud to the Department.

The remaining reports were from other sources, such as consumers or anonymous tips. The Bureau opened 449 cases for investigation in 2016. Tables showing the number of fraud reports received, investigations opened, and arrests by type of fraud appear in the Appendices.

During 2016, the Bureau referred 38 cases to prosecutorial agencies for prosecution and prosecutors have obtained 255 convictions in Bureau cases.

No-Fault Fraud Reports and Investigations

The number of suspected no-fault fraud reports received by the Bureau accounted for 53% of all fraud reports received by the Bureau in 2016.



Combating no-fault fraud is one of the Department's highest priorities. Deceptive healthcare providers and medical mills that bill insurance companies under New York's no-fault system cost New York drivers hundreds of millions of dollars. The Department maintained its aggressive approach to combating this fraud throughout the year.

Arrests

Bureau investigations led to 295 arrests for insurance fraud and related crimes in 2016.

Restitution

Criminal investigations conducted by the Bureau resulted in $5.1 million in court-ordered restitution.

Multi-Agency Investigations

In 2016, the Bureau conducted multi-agency investigations with the following government departments, agencies and offices:

- New York Police Departmentôs Fraudulent Collision Investigation Squad and Auto Crime Division
- Fire Department of New Yorkôs Bureau of Fire Investigations
- Office of the Workersô Compensation Fraud Inspector General
- New York State Office of Fire Prevention and Control
- New York State Insurance Fund
- District Attorneyôs Offices
- State and local Police and Sheriffôs Departments
- U.S. Attorneyôs Offices
- New York State Comptrollerôs Office
- New York State Attorney Generalôs Office
- New York State Department of Motor Vehicles
- New York Auto Insurance Plan
- National Insurance Crime Bureau
- U.S. Postal Inspection Service
- U.S. Department of Labor
- Federal Bureau of Investigation
- U.S. Department of Health and Human Services
- Drug Enforcement Administration Tactical Diversion Task Force (Upstate/Downstate)

Task Force and Working Group Participation

The Bureau is an active participant in 10 task forces and working groups designed to foster cooperation among agencies involved in fighting insurance fraud. Participation provides the opportunity for intelligence gathering, joint investigations, information sharing, and effective use of state resources. Among the groups in which Bureau staff participated during the past year are the following:

- Western New York Health Care Fraud Task Force
- Central New York Health Care Fraud Working Group
- Rochester Health Care Fraud Working Group
- FBI New York Health Care Fraud Task Force/Medicare Fraud Strike Force

- New York Anti-Car Theft and Fraud Association
- National Insurance Crime Bureau Working Group
- High Intensity Drug Trafficking Area
- Drug Enforcement Administration Tactical Diversion Task Force (Upstate/Downstate)
- Suffolk County District Attorneyôs Office Insurance Crime Bureau
- New York Alliance Against Insurance Fraud

2016 Highlights from Task Force Participation

The Bureau, in conjunction with the Suffolk County District Attorneyôs Office Insurance Crime Bureau, developed information that led to the Bureauôs arrest in March 2016 of an unlicensed insurance broker who owned and operated an insurance brokerage firm in Islandia, New York. In a 174-count indictment, the broker was charged with grand larceny and various misdemeanors for allegedly violating the Insurance Law by falsifying premium funding contracts, collecting fees, and obtaining more than $1 million for coverage that was never purchased or which was purchased using false information. As a result, customersô vehicle registrations were suspended for lapsed insurance and claims were denied for lack of coverage. In addition, to obtain coverage not otherwise provided, the broker presented false information to insurers regarding the types of vehicles included on policies and misrepresented the number of vehicles to be covered. For example, the broker intentionally misclassified heavy-duty commercial vehicles as light trucks or pick-up trucks, and the broker also requested coverage for a smaller number of vehicles in order to avoid being deemed a ñfleet.ò

Collection of Rate Evasion Data

DFS collected data from insurers that wrote at least 3,000 personal lines automobile insurance policies showing the number of instances in which individuals misrepresented the principal location where they garaged and drove their vehicles to obtain lower premiums in 2016. A summary of the data appears in the Appendices under the Section titled ñ2016 Data Call: Vehicle Principal Location Misrepresentations.ò

Approval of Fraud Prevention Plans

Section 409 of the New York Insurance Law requires insurers that write at least 3,000 individual accident and health, workersô compensation, or automobile policies (or group policies that cover at least 3,000 individuals) issued or issued for delivery annually in New York to submit a Fraud Prevention Plan for the detection, investigation, and prevention of insurance fraud. Licensed health maintenance organizations with at least 60,000 enrollees must also submit a Fraud Prevention Plan. Plans must provide for a full-time special investigations unit (ñSIUò) and that provides the following:

- Interface of SIU personnel with law enforcement and prosecutorial agencies;
- Coordination with other units of the insurer for the investigation and initiation of civil actions based on information received by or through the SIU;

- Development of a fraud detection and procedures manual to assist in the detection and elimination of fraudulent activity;
- Allocation for the level of staffing and resources devoted to the SIU based on objective criteria;
- In-service training of investigative, claims, and underwriting personnel in identification and evaluation of insurance fraud;
- Development of a public awareness program focused on the cost and frequency of insurance fraud and the methods by which the public can assist in preventing fraud.

Insurers may submit Fraud Prevention Plans for multiple affiliated insurers. A list of insurer Fraud Prevention Plans approved by DFS that were active as of December 31, 2016 appears in the Appendices.

Investigation of Life Settlement Fraud and Review of Fraud Prevention Plans

A life settlement is the sale of a life insurance policy to a third party, known as the ñlife settlement provider.ò The owner of a life insurance policy may sell his or her policy for an immediate cash benefit, making the life settlement provider the new owner of the life insurance policy, which entails paying future premiums and collecting the death benefit when the insured dies.

The Life Settlement Act of 2009 brought the New York life settlement industry under regulation by DFS. The Act provides a comprehensive regulatory framework and creates the crimes for acts of life settlement fraud and aggravated life settlement fraud. The Bureau collaborates with industry and law enforcement in the investigation and prevention of life settlement fraud.

Life settlement providers must submit Fraud Prevention Plans with their licensing applications. Section 411(e) of the Insurance Law also requires that they submit an annual report by March 15th of each year that describes the providerôs experience, performance, and cost effectiveness in implementing its Plan. There were 29 licensed life settlement providers in New York as of December 31, 2016, each with an approved plan on file. A complete list of licensed life settlement providers with approved plans on file appears in the Appendices.

Major Insurance Fraud Cases During 2016

- After an extensive joint investigation by the Bureau, the New York City Department of Investigation, and the New York State Attorney Generalôs Office, 13 New York City employees were indicted in December 2016 by grand juries and charged with insurance fraud and grand larceny for filing false disability claims and collecting insurance proceeds along with their regular paychecks. Some of the accused were billing New York City for overtime as well. The alleged thefts ranged from $3,000 to $100,000 per defendant.
- An upstate attorney was arrested and charged with grand larceny based on a complaint received by the Department from the Fulton County District Attorneyôs Office. The attorney stole more $140,000 for his own use from client funds intended to pay the lien on a mortgage.

- Six defendants were arrested and charged with insurance fraud, grand larceny, and falsifying business records in four counties for allegedly submitting fraudulent claims to their insurance companies. In each instance, the defendant owned a vehicle that had been damaged or reported stolen prior to having insurance coverage. According to the charges, the defendants purchased collision and comprehensive insurance coverage after their incidents and then filed the fraudulent claims with their insurers reporting that the accidents had occurred after the policies took effect. The joint investigation was conducted by the Bureau, the NYAGôs Auto Insurance Fraud Unit, and the National Insurance Crime Bureau.
- An upstate homeowner was sentenced to 25 years in a case involving arson and insurance fraud. In 2007, the homeowner bought a building that housed a restaurant and two apartments. After accumulating $250,000 in debt on the property by 2015, the homeowner unplugged the restaurantôs surveillance equipment and set fire to the building. The homeowner subsequently attempted to collect $570,000 in insurance payments for the building. The Bureau worked with the Schenectady District Attorneyôs Office on the investigation that led to the homeownerôs prosecution.
- The Bureau and the Otsego County District Attorneyôs Office, with the assistance of the New York State Department of Corrections and Community Supervision Office of Special Investigations, arrested an upstate man for murdering his wife in 2000. The investigation into the cold case, which included a liability insurance claim, concluded in June 2016 with an indictment accusing the defendant of intentionally running over his wife with a tractor trailer in Sayre, Pennsylvania, a town on the New York border.
- The Bureau, working with the NYAG, brought charges against six individuals in a 109-count indictment for their roles in a multi-year scheme to obtain commercial car insurance policies and vehicle registrations fraudulently. The accused, including two licensed insurance brokers, were charged with grand larceny, insurance fraud, offering a false instrument for filing, criminal possession of a forged instrument, and other crimes. The defendants are accused of obtaining more than $250,000 in fraudulently discounted commercial insurance and then filing forged and falsified documents with the Department of Motor Vehicles, auto insurers, and others to register the vehicles. As part of the scheme, the defendants allegedly filed fraudulent documents with the Kings County Supreme Court Clerkôs Office to create fictitious business partnerships, then purchased commercial auto insurance for many vehicles using the names of the fictitious businesses. They also are accused of falsely claiming that the vehicles would be used in low-risk businesses, providing false information for the members of the business partnerships, and misrepresenting where the vehicles were garaged or driven and who operated the vehicles to receive lower premiums.

CONSUMER ASSISTANCE UNIT

Operations and Activities

The Consumer Assistance Unitôs (ñCAUò) responsibilities include handling consumer complaints against insurance companies and financial institutions, disseminating information, responding to consumer inquiries, and mediating and resolving disputes that consumers would

otherwise be unable to resolve on their own. CAU also acts as industry watchdog, promoting industry accountability by working closely with insurance companies and financial institutions to investigate and help correct patterns of consumer abuse and fraud.

The Departmentôs New York Complaint Information System (NYCIS) serves as CAUôs workflow engine. NYCIS allows staff to manage their files and enhances consumer protection efforts by allowing staff to more easily identify potential problems and trends. By utilizing customized reports, CAU assists in large-scale investigations when staff is collecting documents and reviewing past complaints.

Among the improvements already implemented:

- **Complaint Resolution:** CAU provides a hands-on approach to consumer issues through informal mediation and negotiation. When possible, CAU attempts to resolve issues that extend beyond strict violations of law to the satisfaction of all parties. With the addition of Consumer Representatives to our staff, CAU is able to mediate complaints in greater numbers, more efficiently, and thus provide an enhanced consumer experience.
- **Consolidation of Complaint System:** Using our enhanced complaint system, CAU staff can quickly track various types of financial complaints and identify trends. Once a systemic trend or issue is identified, it is elevated to the Civil Investigations Unit to review and decide if a more complex review of the issue is needed, with the ultimate goal of benefiting a broad class of consumers.
- **Complaint Triage:** Improved processes for triaging complaints and reevaluating staff assignments have enabled CAU to route complaints more quickly and use resources and staff more efficiently.
- **Consolidated Call Center (CCC):** To promote efficiencies, DFS integrated its call center function with that of the Department of Tax and Finance. DFS staff works with the CCC to provide updates and new information to assist callers. The call center operates from 8:30 a.m. to 4:30 p.m., Monday through Friday, with extended coverage during disasters.
- **Consumer Assistance on Financial Products:** CAU also handles complaints regarding financial products and services such as payday loans, debt collection, prepaid debit cards, student loans, and debt settlement, among others. CAU trains Consumer Representatives to handle gap complaints and is developing new procedures to ensure that these complaints are processed and mediated expeditiously.

Complaints and Inquiries

Insurance Complaints

CAU received 40,951 insurance complaints in 2016. The Unit processed 35,850 insurance complaints and handled 1,493 insurance inquiries. The insurance complaints were closed with the following dispositions: 4,684 were upheld or transferred for prompt pay review; 3,624 were not upheld but were adjusted; 18,373 were not upheld; and 9,169 were referrals, duplicates, withdrawn, or suspended.

For approximately 20% of the closed files, the Unit successfully recovered monetary value for the consumer in the form of increased claim payment, reinstatement of lapsed coverage, payment for denied medical claims, or coverage for a previously denied disaster-related claim.

A more detailed breakdown is as follows:

Type	Number of Complaints	Recovery
Property & Casualty	1,009	$8,374,588
Service Contracts	5	3,671
No-Fault	239	844,061
Health	808	4,704,604
Auto	434	2,108,266
Investigations	23	306,220
Life	52	2,010,550
Prompt Pay	3,466	15,984,862
Total	**6,036**	**$34,372,824**

During 2016, CAU also required insurance companies to offer reinstatement to 454 policyholders as a result of CAUôs discovery that the same insurer errors involved in individual cases had been made in numerous instances with respect to consumers who had not filed complaints.

Banking Complaints, Referrals, and Inquiries (Non-Mortgage)

In 2016, the CAU processed 2,828 non-mortgage-related complaints, referrals, and inquiries, representing a .05% increase from 2015. A breakdown is set out below:

	December 31, 2016	December 31, 2015	Percent Change
Complaints	2,649	2,523	.05%
Referrals	135	72	87.5%
Written Inquiries	44	46	4.3%
Total/Aggregate Volume	**2,828**	**2,641**	**7.1%**

External Appeals

Under Article 49 of the Insurance Law, consumers have the right to request a review of certain coverage denials by medical professionals who are independent of the healthcare plan issuing the denial. An external appeal may be requested when a health plan denies insurance coverage because it deems specific healthcare services to be experimental or investigational, not medically necessary, for treatment of a rare disease, or for participation in a clinical trial. Additionally, consumers covered by a health maintenance organization (HMO) may file an external appeal when their requests for out-of-network exceptions are denied and the HMO offers an alternate in-network treatment.

CAU screens the appeal applications for completeness and eligibility. Eligible applications are randomly assigned to one of three external appeal agents screening for conflicts of interest. Once assigned, DFS monitors the process to insure that the external appeal agent renders a timely decision and provides proper notice of the decision.

This table summarizes appeals received and appeals closed for 2016 and the preceding five years:

Summary of External Appeal Applications Received by Year						
Year	**Received**	**Closed**	**Ineligible**	**Voluntary Reversal**	**Denial Upheld**	**Overturned***
2010	4,955	4,600	1,869	361	1,430	940
2011	5,469	5,416	1,754	362	2,117	1,183
2012	5,796	5,753	1,874	360	2,427	1,092
2013	7,868	7,725	2,734	483	2,987	1,521
2014	8,520	8,296	2,502	622	3,357	1,815
2015	9,771	9,867	2,499	721	4,121	2,526
2016	8,602	8,620	2,255	607	3,349	2,409
Voluntary Reversalsð plan overturned its denial before the appeal was submitted to a reviewer **Ineligible**ð the appeal was not eligible for an external review **Overturned**ð includes decisions that overturned the denial in whole and in part						

This table lists the number of external appeal determinations categorized by type of appeal:

External Appeal Determinations by Type of Appeal in 2016				
Type of Denial	**Total**	**Overturned**	**Overturned in Part**	**Upheld**
Medical Necessity	5,529	2,048	253	3,228
Experimental/Investigational	190	91	2	97
Clinical Trial	0	0	0	0
Out-of-Network	4	3	0	1
Out-of-network Referral	32	12	0	20
Rare Disease	3	0	0	3
Total	**5,758**	**2,154 (37.4%)**	**255 (4.4%)**	**3,349 (58.2%)**

As part of DFS oversight of the External Appeal program, CAU reviews all external appeal decisions received to ensure that the appropriate number of clinical peer reviewers was used, the clinical peer reviewer is board-eligible or board-certified in the appropriate specialty, and that the

review was conducted in accordance with the standards set out in Article 49 of the Insurance Law.

When appropriate, DFS contacts the external appeal agent to obtain a response to medical questions and concerns raised by the consumer or their provider.

2016 External Appeals Rejected as Ineligible	
Reason	**Quantity**
Applicant Withdrew Appeal	130
Contractual Issue	201
Covered benefit issue	47
CPT Code	3
Doctor unable to complete attestation	3
Duplicate Application	210
Failure to respond	726
Federal Employees Health benefit program	24
Hospital failed to Notify Plan of Admission	5
Medicaid Fair Hearing	6
Medicare	86
No internal appeal	187
Out-of-Network	7
Out-of-state contract	46
Overturned on Internal Appeal	49
Provider ineligible to Appeal	16
Reimbursement issue	67
Self-insured coverage	332
Untimely	110
Total	**2,255**

Out-of-Network Law

Article 6 of the Financial Services Law protects consumers from ñsurprise billsò (as defined by the law) when services are performed by a non-participating (out-of-network) doctor at a participating hospital or ambulatory surgical center in the consumerôs health insurance companyôs network, or when a participating doctor refers an insured patient to a non-

participating provider. The law also protects insured patients from bills for out-of-network emergency services if patients have coverage through a health insurance company subject to New York State law by limiting the patientsô liability to his or her in-network co-payment, coinsurance or deductible.

Independent Dispute Resolution Pursuant to the Out-of-Network Law

Under Article 6 of the Insurance Law, a provider or health insurance company may dispute certain payments, charges for emergency services or surprise bills through a process called Independent Dispute Resolution (ñIDRò). An Independent Dispute Resolution Entity (ñIDREò) reviewer with experience in healthcare billing, reimbursement, and usual and customary charges will review the dispute in consultation with a licensed doctor in active practice in the same or similar specialty as the doctor providing the service that is the subject of the dispute. Insured and uninsured patients or patients with self-insured coverage may file an IDR.

The tables below summarize IDR applications filed in 2016:

Summary of Independent Dispute Resolutions Received in 2016			
Emergency Services		**Surprise Bills**	
Total Received	**558**	**Total Received**	**251**
Not eligible	167	Not eligible	145
Still in process	33	Still in process	21
Decision rendered:		**Decision rendered:**	
Health plan payment more reasonable	154	Health plan payment more reasonable	11
Provider charges more reasonable	40	Provider charges more reasonable	27
Split decision	108	Split decision	17
Settlement reached	55	Settlement reached	30

Not eligible: The dispute was not eligible for a review.
Split decision: Health plan payment more reasonable for one more codes and the provider's charge more reasonable for the remaining codes.
Settlement reached: The health plan and provider agreed to settle the dispute prior to a full review.

IDRs rejected as not eligible:

Independent Dispute Resolutions Rejected as Ineligible in 2016			
Emergency Services		**Surprise Bills**	
AOB not submitted to the health plan	0	AOB not submitted to the health plan	41
Application not received by IDRE	32	Application not received by IDRE	24
Application withdrawn	16	Application withdrawn	5

Date of service before 3/31/15	4	Date of service before 3/31/15	3
Duplicate submission	3	Duplicate submission	1
Exempt Emergency Room codes	1	Exempt Emergency Room codes	0
Federal Employee coverage	3	Federal Employee coverage	4
Invalid date of service	1	Invalid date of service	0
Medicare	2	Medicare	3
No response to eligibility inquiry	4	No response to eligibility inquiry	2
Not a surprise bill	0	Not a surprise bill	23
Not emergency services	29	Not emergency services	0
Out of State coverage	21	Out of State coverage	9
Self-funded coverage	26	Self-funded coverage	16
Services not rendered by a physician	4	Services not rendered by a physician	0
Services received out of state	11	Services received out of state	3
Services rendered by a par-provider	0	Services rendered by a par-provider	1
Settlement reached before IDR filed	3	Settlement reached before IDR filed	3
Wrong insurer	7	Wrong insurer	7
Total	**167**	**Total**	**145**

Outreach and Response Efforts in 2016

CAU participated in the New York State Fair and various other outreach events in 2016. These events were specific to elder abuse and health issues. In addition, utilizing the Department's Mobile Command Center, CAU assisted homeowners in Hoosick Falls and business owners affected by the Chelsea bombing.

Producer Licensing

The Producer Licensing Unit reviews applications, issues licenses, and processes renewals for insurance companies, as well as licensed producers, including agents, brokers, adjusters, bail bond agents, life settlement brokers, providers, and intermediaries.

In 2016, the Producer Licensing Unit issued 209,061 licenses and collected over $23.1 million in fees. The Producer Licensing Unit also monitors, approves, and audits courses for continuing education.

CONSUMER EXAMINATIONS UNIT

Background

The mission of the Consumer Examinations Unit (ñCEUò) is to maintain and enhance consumer confidence in New Yorkôs banking industry and protect the industryôs customers. CEU does this by ensuring that regulated institutions abide by the Stateôs consumer protection, fair lending, and Community Reinvestment Act (CRA) laws and regulations, as well as increasing consumer access to traditional banking services in under-served communities by administering the Banking Development District program and evaluating regulated institutionsô branching, investment, and merger applications for their performance records and community development objectives. Whenever possible, CEU harmonizes its examination and enforcement activities with those of federal counterparts.

Operations and Activities

Consumer Compliance Examinations

CEUôs consumer compliance examinations promote consumer confidence in DFS-regulated depository institutions by monitoring institutionsô compliance with consumer protection statutes and regulations through biennial on-site compliance examinations.

In 2016, CEU conducted 27 consumer compliance exams. The examinations revealed that most institutions have adequate compliance processes, although several depository institutions were subject to regulatory risk resulting from their failure to develop and/or properly implement trainings, policies, and procedures covering relevant New York State laws, regulations, and supervisory procedures. CEU examiners also uncovered objectionable practices committed by a number of institutions, including: improper fees charged in connection with loan servicing and origination; inconsistent disclosures made to consumers relating to loan pricing; lack of required disclosures (or disclosures made in improper form) including those mandated by the Truth in Lending Act, the Truth in Savings Act, those relating to the basic banking account or approved alternative account required by New York law, and those relating to safe deposit boxes; and improper retention of lender credits purchased by borrowers. CEU works with the institutions to address these practices.

Fair Lending Examinations

DFS seeks to ensure that New York borrowers are treated fairly and equitably in all aspects of the credit application, underwriting, and servicing processes. The fair lending examination includes on-site examinations, targeted examinations, and in-depth investigations; processing and analyzing pertinent data from regulated entities; and guiding institutions on the content and implementation of their formal fair lending plans. The subject areas of these examinations extend to predatory lending, subprime loans, and mortgage fraud investigations.

In 2016, CEU conducted 29 fair lending exams of 27 depository institutions and two non-depository institutions. With respect to some institutions, CEU examiners discovered certain objectionable practices, including: improper imposition of age limits in underwriting programs; inadequate fair lending training given to key lending personnel, and failure to ensure training

adequacy via testing; inadequate safeguards against fair lending violations committed by third parties involved in the lending process; and excessive discretion to individual lending personnel in approving/denying applicants and in pricing loans. CEU also reviewed numerous fair lending plans submitted for review by institutions.

CRA Examinations

Community Reinvestment Act examinations seek to ensure that regulated institutions are providing loans, investments, and services to support the economic stability, growth, and revitalization of the communities they serve, particularly for low- and moderate-income (ñLMIò) individuals and small businesses and in LMI neighborhoods. CRA examinations also try to ensure that borrowers and businesses at all income levels have access to appropriate financial resources at a reasonable cost, consistent with safe and sound banking practices.

In 2016, the Consumer Examination Unit conducted 17 CRA exams. Through analysis of loan data, CEU assesses how well banks serve the credit needs of their communities. CEU conducts intensive on-site examinations to support banksô efforts to comply with New York Stateôs CRA regulations and issues examination ratings and reports that must be shared with the public.

Community Development

The Community Development Unit (CDU) facilitates the development and preservation of banking services in under-served and LMI neighborhoods. CDU researches and analyzes community demographic information to ascertain the financial needs of consumers. CDU also reviews the impact on communities of applications to merge, convert charter, make community development equity investments, and open, close, or relocate branches. CDU also administers the Banking Development District (BDD) program, which includes reviewing the requests of participating banks for the renewal of BDD deposits and making recommendations to the Office of the State Comptroller regarding those renewals. In addition, CDU fosters working relationships with community groups, financial institutions, municipal governments, and other regulatory and supervisory agencies to ensure that residents, businesses, and communities throughout New York State have access to the banking information, products, and services they need.

Banking Development District Applications

CDU reviewed 17 BDD Request for Renewal of Deposit Applications and issued recommendations for the renewal of deposits resulting from the reviews. The reviews resulted in 16 recommendations for renewal with no reservations and one recommendation for non-renewal of deposits. In addition, CDU reviewed one BDD Progress Report for which it issued a response noting satisfactory progress.

CDU also approved the designation of one new BDD, continued working with one applicant seeking to establish a BDD, and began working with two additional applicants seeking to establish BDDs.

Review of Applications for Community Impact

In 2016, CDU processed 95 branch applications for the following: 17 closings; 10 electronic facility (ATM branch) openings; 34 full branch openings; and four relocations. In addition, CDU processed 10 specialized applications, including two basic banking account alternatives, one credit union field of membership expansion, three changes of control, one conversion, two mergers, and three acquisitions. Finally, CDU issued 18 approval letters for applications to make community development equity investments.

Community Outreach and Special Projects

CDU continued to coordinate with New York Cityôs Department of Housing Preservation and Development and the University Neighborhood Housing Program to further DFSôs mission to protect tenants of multifamily properties in physical or financial distress through CRA examinations.

Summary of Consumer Examination Unit

CEU conducted 27 consumer compliance, 29 fair lending, and 17 CRA exams, and made recommendations regarding 95 bank applications and 17 requests for the renewal of BDD branch deposits in 2016.

Type of Work	2016	Scheduled in 2017
Consumer Compliance	27	26
Fair Lending (FL)	29	27
FL Depositories	27	26
FL Non-depositories	2	2
CRA	17	18
CDU – applications	95	N/A
CDU – BDD request for renewal	17	17

HOLOCAUST CLAIMS PROCESSING OFFICE

The Holocaust Claims Processing Office (ñHCPOò) helps Holocaust victims and their heirs recover assets deposited in banks, unpaid proceeds of insurance policies issued by European insurers, and artworks that were lost, looted, or sold under duress. The HCPO accepts claims for Holocaust-era looted assets from anywhere in the world and charges no fees for its services.

From its inception through December 31, 2016, the HCPO has received claims from 5,718 individuals from 46 states, the District of Columbia, and 40 countries. In total, the HCPO has successfully resolved 14,869 claims of 5,179 individuals in which an offer was presented, or the asset was deemed non-compensable.

To date, the HCPO has secured 8,363 offers, the combined total[1] of which for bank, insurance, and other losses amounts to $174,928,396. The office facilitated restitution settlements involving 130 cultural objects. In 2016, HCPO claimants received $1,476,618 in offers and the office coordinated settlements for 16 works of art.

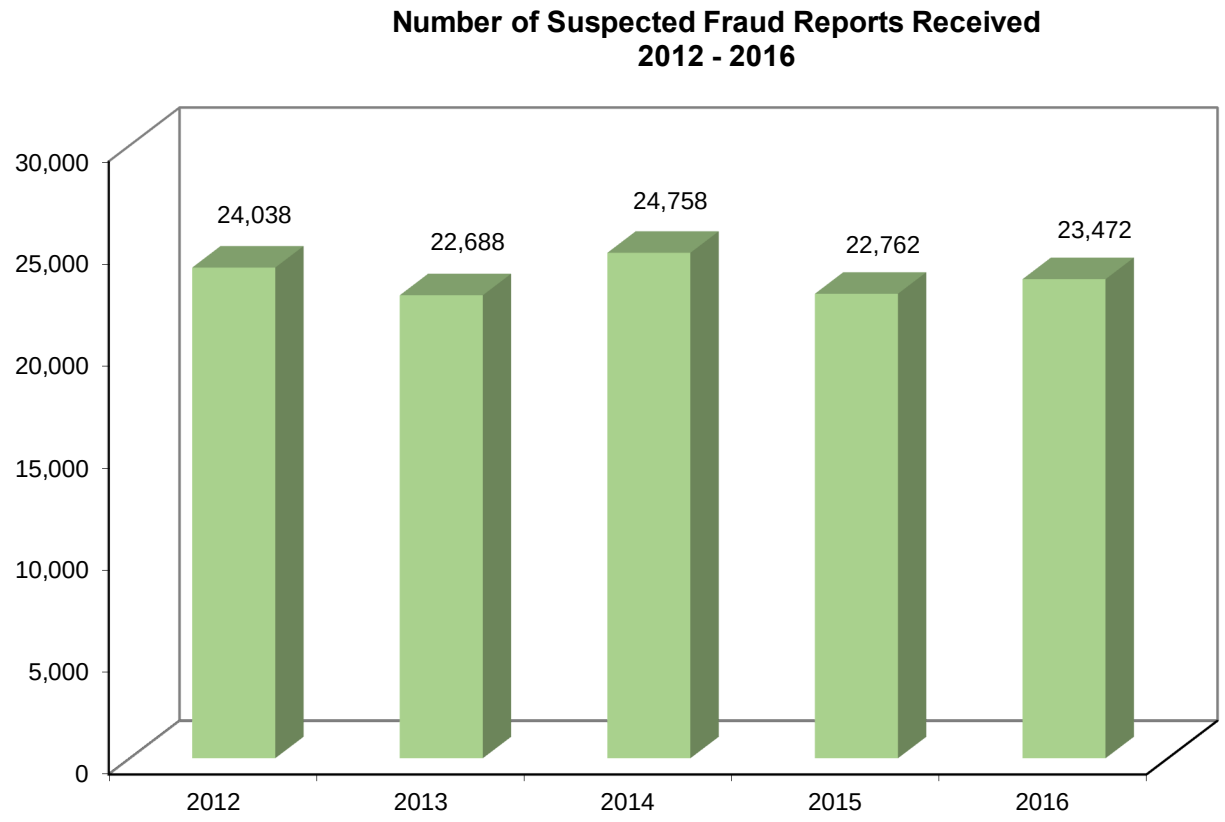
As required by Section 37-a of the Banking Law, HCPO submitted its 2016 Annual Report to the Governor and Legislature on January 15, 2017. The report is available on the Department's website.

[1] Processes offer victims or heirs monetary compensation calculated on the value of the lost assets. However, the total amount of funds available to a claims agency may be limited and may not allow for full payment of loss. Thus, the actual payment may be substantially less. The amount offered is important as it recognizes the actual loss and guides in determining the amount of payment when full payment is not possible. Therefore, the HCPO reports the amount offered. Sometimes victims do not consider the offer adequate and do not agree to settle. In other cases, the amount offered is the amount paid.

APPENDICES—2016 STATISTICS

The FFCPD received 23,472 reports of suspected fraud in 2016, compared with 22,762 in 2015.

Number of Suspected Fraud Reports Received



Information Furnished By (IFB) Reports Received by Year

IFBs Received by Year	2012	2013	2014	2015	2016
Boat Theft	4	0	2	8	0
Auto Theft	877	751	693	721	613
Theft From Auto	23	29	18	26	22
Auto Vandalism	290	239	213	308	372
Auto Collision Damage	1,931	1,812	1,654	1,933	2,542
Auto Fraudulent Bills	37	80	219	201	111
Auto Miscellaneous	1,376	1,271	1,503	1,273	1,433
Auto I.D. Cards	13	11	6	8	4
Total—Auto	**4,551**	**4,193**	**4,308**	**4,478**	**5,097**

Workers' Compensation	1,255	1,014	998	1,230	1,650
Total—Workers' Comp	**1,255**	**1,014**	**998**	**1,230**	**1,650**
Disability Insurance	142	182	162	205	267
Health Accident Insurance	1,389	1,163	1,234	1,356	1,535
No-Fault Insurance	13,944	13,198	15,439	12,891	12,339
Total—Medical/No-Fault	**15,475**	**14,543**	**16,835**	**14,452**	**14,141**
Boat Fire	1	0	0	1	2
Auto Fire	186	185	167	153	113
Fire – Residential	120	89	104	104	106
Fire – Commercial	29	21	40	23	24
Total—Arson	**336**	**295**	**311**	**281**	**245**
Burglary - Residential	278	254	174	196	194
Burglary - Commercial	60	45	33	32	33
Homeowners	997	1,068	769	765	674
Larceny	65	79	77	83	125
Lost Property	108	109	172	190	478
Robbery	9	14	7	20	24
Bonds	6	9	3	1	3
Life Insurance	381	397	433	481	400
Ocean Marine Insurance	6	18	13	15	13
Reinsurance	0	0	1	1	0
Appraisers/Adjusters	5	5	8	17	9
Agents	30	56	90	84	83
Brokers	40	45	46	45	53
Ins. Company Employees	0	4	4	4	2
Insurance Companies	69	62	33	52	37
Title/Mortgage	73	38	11	4	8
Commercial Damage	68	103	77	123	110
Unclassified	226	337	355	208	93
Total—General	**2,421**	**2,643**	**2,306**	**2,321**	**2,339**

Total IFBs Received	2012	2013	2014	2015	2016
Auto Unit Totals	4,551	4,193	4,308	4,478	5,097
Workers Comp Unit Totals	1,255	1,014	998	1,230	1,650
Medical/No-Fault Unit Totals	15,475	14,543	16,835	14,452	14,141
Arson Unit Totals	336	295	311	281	245
General Totals	2,421	2,643	2,306	2,321	2,339
Grand Total	**24,038**	**22,688**	**24,758**	**22,762**	**23,472**

Cases Opened by Year	2012	2013	2014	2015	2016
Boat Theft	2	0	0	0	0
Auto Theft	70	55	56	85	22
Theft From Auto	0	0	2	2	0
Auto Vandalism	6	3	1	2	9
Auto Collision Damage	38	25	34	26	24
Auto Fraudulent Bills	3	2	4	4	0
Auto Miscellaneous	25	16	27	23	7
Auto I.D. Cards	0	0	0	0	0
Total—Auto	**144**	**101**	**124**	**142**	**62**
Workers' Compensation	467	98	88	99	90
Total—Workers' Comp	**467**	**98**	**88**	**99**	**90**
Disability Insurance	3	2	10	9	13
Health Accident Insurance	41	32	34	37	43
No-Fault Insurance	44	22	65	46	58
Total—Medical/No-Fault	**88**	**56**	**109**	**92**	**114**
Boat Fire	0	0	0	0	0
Auto Fire	35	14	11	17	6
Fire – Residential	11	8	6	8	16
Fire – Commercial	6	6	9	5	5
Total—Arson	**52**	**28**	**26**	**30**	**27**
Burglary – Residential	11	1	2	9	9
Burglary – Commercial	1	1	0	2	0
Homeowners	9	6	9	15	20
Larceny	13	14	11	20	26
Lost Property	2	0	1	2	6
Robbery	0	0	1	1	0
Bonds	3	5	0	1	0
Life Insurance	9	11	10	17	20
Ocean Marine Insurance	0	1	0	0	0
Reinsurance	0	0	0	0	0
Appraisers/Adjusters	1	2	0	1	0
Agents	4	9	15	10	6
Brokers	7	8	6	10	13

Ins. Company Employees	0	0	1	0	1
Insurance Companies	1	0	6	1	3
Title/Mortgage	4	2	1	0	0
Commercial Damage	4	2	7	0	4
Miscellaneous	21	48	26	38	48
Total—General	**90**	**110**	**96**	**127**	**156**

Cases Opened by Year	2012	2013	2014	2015	2016
Auto Unit Totals	144	101	124	142	62
Workers Comp Unit Totals	467	98	88	99	90
Medical/No-Fault Unit Totals	88	56	109	92	114
Arson Unit Totals	52	28	26	30	27
General Unit Totals	90	110	96	127	156
Grand Total	**841**	**393**	**443**	**490**	**449**

2012	IFBs	Cases	Arrests
Auto Unit Total	4,551	144	164
Workers' Comp Unit Total	1,255	467	99
Medical/No-Fault Unit Total	15,475	88	195
Arson Unit Total	336	52	28
General Unit Total	2,421	90	109
Grand Total	**24,038**	**841**	**595**

2013	IFBs	Cases	Arrests
Auto Unit Total	4,193	101	97
Workers' Comp Unit Total	1,014	98	85
Medical/No-Fault Unit Total	14,543	56	170
Arson Unit Total	295	28	17
General Unit Total	2,643	110	99
Grand Total	**22,688**	**393**	**468**

2014	IFBs	Cases	Arrests
Auto Unit Total	4,308	124	87
Workers' Comp Unit Total	998	88	71
Medical/No-Fault Unit Total	16,835	109	77
Arson Unit Total	311	26	18

General Unit Total	2,306	96	50
Grand Total	**24,758**	**443**	**303**

2015	IFBs	Cases	Arrests
Auto Unit Total	4,480	142	117
Workers' Comp Unit Total	1,230	99	38
Medical/No-Fault Unit Total	14,452	92	79
Arson Unit Total	279	30	32
General Unit Total	2,321	127	64
Grand Total	**22,762**	**490**	**330**

2016	IFBs	Cases	Arrests
Auto Unit Total	5,097	62	35
Workers' Comp Unit Total	1,650	90	33
Medical/No-Fault Total	14,141	114	133
Arson Unit Total	245	27	14
General Unit Total	2,339	156	80
Grand Total	**23,472**	**449**	**295**

2017 DATA CALL: VEHICLE PRINCIPAL LOCATION MISREPRESENTATION

The 2017 Vehicle Principal Location Misrepresentation data call concerned misrepresentations by New York insureds of the principal place where their vehicles were garaged and/or driven during 2016.

Summary of Data Reported

- More than 99% (determined by market share) of the personal line automobile insurance market responded to the data call.
- The total number of reported New York insureds who misrepresented the principal place where their vehicles were garaged and/or driven in 2016 was 14,920.
- The total amount of reported premium lost in 2016 as a result of New York insureds who misrepresented the principal place where their vehicles were garaged and/or driven was $15,816,114.
- In 2016, 80% of the reported misrepresentations involved a location within New York State. The remaining 20% involved a location outside of New York State.

Misrepresentations Involving a New York State Location

- Total amount of reported premium lost in 2016 due to misrepresentations that involved a location (county) within New York State was $14,212,836.
- Top reported New York counties where insureds actually garaged and/or drove their vehicles in 2016:

Kings	25.75%
Queens	17.68%
Bronx	16.34%
Nassau	7.06%
New York	5.19%
Suffolk	5.04%
Westchester	3.47%
Monroe	2.60%
Erie	1.91%
Onondaga	1.79%
Albany	1.48%
Orange	1.23%
Rockland	1.16%

- Top reported New York counties used by insureds to misrepresent where their vehicles were garaged and/or driven in 2016:

Suffolk	12.12%
Nassau	9.45%
Westchester	9.30%
New York	4.74%
Albany	4.32%
Monroe	4.28%
	4.13%
Orange	3.89%
Dutchess	3.33%
Erie	2.95%
Onondaga	2.85%
Broome	2.82%

Misrepresentations that Involved a Location Outside of New York State

- Total amount of reported premium lost in 2016 due to misrepresentations that involved a location outside of New York State was $1,603,278.
- Top reported New York counties where insureds actually garaged and/or drove their vehicles in 2016:

Suffolk	15.65%
	12.51%
	11.07%
Queens	9.81%
New York	9.36%
Westchester	5.81%
Bronx	5.16%
Richmond	3.83%
Erie	3.01%
Dutchess	1.98%
Monroe	1.74%

- Top reported states used by insureds to misrepresent where vehicles were garaged and/or driven in 2016:

Florida	55.98%
Pennsylvania	6.97%
Connecticut	4.85%
South Carolina	4.55%
North Carolina	3.35%
Virginia	3.21%
Arizona	2.26%
New Jersey	2.26%
Vermont	1.98%
California	1.91%
Georgia	1.71%

Approved Fraud Prevention Plans on File as of December 31, 2016

ACE USA Group of Companies
Aetna Life Insurance Company
AIG Companies
Allstate Insurance Group
Allstate Life Insurance Company of New York
Amalgamated Life Insurance Company
American Family Life Assurance of New York
American Modern Insurance Group
American Progressive Life and Health Insurance Company of New York
American Transit Insurance Company
Ameritas Life Insurance Corp. of New York
AMEX Assurance Company
Amica Mutual Insurance Company
AMTrust Financial Services Inc.
Arch Insurance Company
Assurant Group
AXA Equitable Insurance Company
Bankers Conseco Life Insurance Company
Capital District Physiciansô Health Plan
Central Mutual Insurance Company
Chubb Group of Insurance Companies
CIGNA Health Group
Cincinnati Insurance Company
CMFG Life Insurance Company
CNA Insurance Companies
Financial Group
Combined Life Insurance Company of New York
Commercial Travelers Mutual Insurance Company
Countryway Insurance Company
Country-Wide Insurance Company
CSAA Fire & Casualty Insurance Company
Dairyland Insurance Company
Dearborn National Life Insurance Company of New York
Delta Dental Insurance Company
Delta Dental of New York
Dentcare Delivery Systems
Eastern Vision Service Plan
Electric Insurance Company
EmblemHealth
Erie Insurance Group
Esurance Insurance Company
Excellus BlueCross BlueShield
Farm Family Casualty Insurance Company
Farmersô New Century Insurance Company
Fiduciary Insurance Company of America
Firemansô Fund Insurance Company
First Reliance Standard Life Insurance Company
First Symetra National Life Insurance Company
GEICO
Genworth Life Insurance Company of New York
Gerber Life Insurance Company
Global Liberty Insurance Company of New York
Guard Insurance Group
Guardian Life Insurance Company of America
Hanover Group
Hartford Fire and Casualty Group
Hartford Life Insurance Company
HealthNow of New York Inc.
Healthplex Insurance Company
Hereford Insurance Company
HM Life Insurance Company of New York
IDS Property Casualty Insurance Company
Independent Health Association, Inc.
Interboro Insurance Company
Ironshore Indemnity Incorporated
John Hancock Life Insurance Company of New York
Kemper
Kingstone Insurance Company
Lancer Insurance Company
Liberty Life Assurance Company of Boston
Liberty Mutual Insurance
Life Insurance Company of Boston and New York
Lincoln Life & Annuity Company of New York
Magna Carta Companies
Main Street America Group
MAPFRE Insurance Company of New York
Markel North American Insurance Group
MassMutual Financial Group

Merchants Insurance Company
Mercury Insurance Group
Metropolitan Life Insurance Company
Metropolitan Property and Casualty Insurance Group
Mutual of Omaha Insurance Company
MVP Health Plan
National General Insurance
National Liability and Fire Insurance Company
Nationwide Insurance Group
Nationwide Life Insurance Company
New York Automobile Insurance Plan
New York Central Mutual Fire Insurance Company
New York Life Insurance Company
New York State Insurance Fund
Nippon Life of America
Northwestern Mutual Life Insurance Company
Oxford Health Plans
Philadelphia Indemnity Insurance Company
Preferred Mutual Insurance Company
Principal Life Insurance Company
Progressive Group of Insurance Companies
Prudential
QBE Insurance Group Limited
Renaissance Health Insurance Company of New York
SBLI Mutual Life Insurance Company
Securian Financial Group
Security Mutual Life Insurance Company of New York
Selective
ShelterPoint Life Insurance Company
Standard Life Insurance Company of New York
Standard Security Life Insurance Company of New York
State Farm Mutual
Sun Life Insurance and Annuity Company of New York
Torchmark
Transamerica Financial Life Insurance Company
Travelers
Tri-State Consumer Insurance Company
Trustmark Insurance Company
Uniamerica Insurance Company of New York, Inc.
Union Labor Life Insurance Company
Union Security Life Insurance Company of New York
United Concordia Insurance of New York
United Healthcare Insurance Company of New York
United Healthcare of New York, Inc.
Unum Provident Company
USAA Group
Utica National Insurance Group
Voya Retirement and Annuity Company
WellPoint, Inc.
Zurich North America

2016 Approved Life Settlement Provider Fraud Prevention Plans on File

Abacus Settlements, LLC
Berkshire Settlements, Inc.
Coventry First LLC
Credit Suisse Life Settlements LLC
EAGil Life Settlement Inc.
EconoTree Capital INC.
FairMarket Life Settlements Corp.
Financial Life Services, LLC
GCM Life Settlements LLC
Georgia Settlement Group
GWG Life Settlements, LLC
Habersham Funding, LLC
Imperial Life Settlements, LLC
Institutional Life Settlements, LLC
Legacy Benefits, LLC
Life Equity, LLC
Life Policy Traders, LLC
Life Settlements International, LLC
LifeTrust, LLC
Lotus Life, LLC
Magna Life Settlements, LLC
Maple Life Financial Inc.
Montage Financial Group, Inc.
Peachtree Life Solutions, LLC
Proverian Capital, LLC
Q Capital Strategies, LLC
SLG Life Settlements, LLC
Spiritus Life, Inc.
Wm. Page & Associates, Inc.