NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

March 15, 2016

Dear Governor Cuomo, Temporary President and Majority Coalition Leader Flanagan, Senate Coalition Leader and Independent Democratic Conference Leader Klein, Speaker Heastie, Senate Minority Leader Stewart-Cousins and Assembly Minority Leader Brian Kolb:

On behalf of the Department of Financial Services, I hereby submit a copy of the report required by § 409(b) of the Financial Services Law on the activities of the Department's Financial Frauds and Consumer Protection Division (FFCPD).

Among some of the highlights of FFCPD's work in 2015 are the following:

- As part of its military initiative, the Department formally reversed administratively the "Fort Drum Loophole" -- a 2005 determination by the former Banking Department that had allowed companies to make unlicensed high-interest loans to service members stationed in New York, but who were not permanent New York residents, that charged more than double New York State's interest rate caps. In connection with the reversal, Omni Military Lending, after discussions with the Department, agreed that it would now make all loans to service members stationed in New York through an entity licensed by DFS in compliance with New York's usury and licensed lender laws.

- In connection with its efforts to combat elder financial exploitation, the Department focused on the important role that New York banks and credit unions can play in identifying, investigating, and reporting suspected elder abuse and issued guidance regarding best practices for the prevention of elder financial exploitation, including the adoption of red flag procedures for the detection of abuse. Together with the Office of Children and Family Services, the Department conducted trainings for its regulated financial institutions in three locations across New York State on how to effectively recognize and report suspected cases of elder financial exploitation.

We will continue to ensure that the FFCPD accomplishes necessary reforms in the financial sector; is effective in investigating and battling financial fraud, misconduct and criminal activity in the banking, finance and insurance industries; and is aggressive and responsive in protecting the interests of New York consumers.

Respectfully submitted,

Maria T. Vullo
Acting Superintendent of Financial Services

Financial Frauds and Consumer Protection Report

March 15, 2016

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Acting Superintendent
New York State Department of Financial Services

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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 ("FFCPD") of the Department of Financial Services ("DFS") in combating frauds against entities regulated under the banking and insurance laws, as well as frauds against consumers; the Department's handling of consumer complaints; and the Department's examination activities in the areas of consumer compliance, fair lending, and the Community Reinvestment Act. The report also discusses major FFCPD initiatives.

FFCPD Organization and Oversight

The FFCPD encompasses the Civil Investigation Unit (investigates civil financial fraud and violations of consumer and fair lending laws, the Financial Services Law, the Banking Law and the Insurance Law, as well as a staff of attorneys who bring disciplinary proceedings against insurance producers for violations of the Insurance Law); the Criminal Investigation Unit (handles banking, criminal investigations, and insurance frauds); the Consumer Assistance Unit (CAU) (handles insurance producer licensing and investigates complaints against licensed insurance producers); the Consumer Examinations Unit (conducts fair lending, consumer compliance, and Community Reinvestment Act examinations, and is responsible for the Banking Development District Program); the Holocaust Claims Processing Office; and the Student Protection Unit.

The powers of the FFCPD are set forth in Section 404 of the Financial Services Law. Paragraph (a) clarifies 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. Under paragraph (b), if 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, in the enforcement of the relevant laws or regulations, can investigate or assist another entity with the power to do so.

CIVIL INVESTIGATIONS AND ENFORCEMENT ACTIVITIES

The Civil Investigation Unit utilizes the investigative and enforcement powers granted by the Financial Services Law to investigate civil financial fraud, consumer and fair lending law, banking law and insurance law violations. Some of the Unit's investigations, activities, and initiatives in 2015 are discussed below.

Payday Lending Investigation

In early 2013, based on consumer complaints, DFS launched a comprehensive initiative to stop illegal online payday lending in New York. An investigation found that online lenders were attempting to circumvent New York usury laws by offering illegal payday loans online into New York. DFS sent letters to 55 online lending companies that demanded that the companies cease and desist from offering and originating illegal loans in New York. DFS also worked with financial institutions, payment processing networks, and the Visa and MasterCard debit networks to identify ways to prevent illegal payday loan transactions in New York. In 2014, DFS developed a database that a number of financial institutions have agreed to use as a due diligence tool to help them identify and stop illegal, online payday lending in New York. The database includes companies identified by DFS as having made illegal payday loans over the Internet to New Yorkers. The information in the database can be used by participating institutions to help confirm that a financial institution's merchant customers are not using their accounts to make or collect on illegal payday loans to New York consumers, to identify payday lenders that engage in potentially illegal payday loan transactions with its New York consumer account holders, and, when appropriate, to contact the lenders' banks to notify them that the transactions may be illegal. Additional financial institutions agreed in 2015 to use the database.

Payday Loan "Lead Generators"

In March 2015, DFS announced a settlement with Selling Source, LLC, MoneyMutual LLC, affiliated entities, and MoneyMutual's spokesperson, Montel Williams, to resolve misrepresentations relating to Selling Source's payday loan lead generation business. Selling Source and its affiliates collected and then sold to their network of at least 60 payday lenders more than 800,000 New York consumer leads. The typical annual percentage rate range for the loans that MoneyMutual advertised was "somewhere between 261% and 1304%"—16- to 82-times higher than the legal limit in New York. MoneyMutual's false and misleading advertisements failed to adequately warn consumers that the interest rates, charges, and repayment schedules offered by its network of "trusted lenders" often prevented consumers from being able to repay those loans on a timely basis, and caused them to roll over their loans or take out additional loans to pay off prior loans. Pursuant to the settlement, Selling Source agreed to pay a $2.1 million civil penalty and stop marketing payday loans to New York consumers, and Mr. Williams agreed to withdraw his endorsement for payday loans in New York, among other relief. This settlement is the first successful enforcement action fining a payday loan lead generation company.

Title Insurance

In late 2012, DFS commenced an investigation of the title insurance industry following a rate filing submitted by TIRSA, the licensed rate service organization for title underwriters in New York, which sought a large rate increase. The investigation focused on unlawful inducements in the title insurance industry, and their impact on title insurance rates, as well as excessive closing costs charged to New York consumers.

In December 2013, DFS held a public non-adjudicatory hearing that focused on identifying proper expenditures made in the course of issuing a title insurance policy, those expenditures that do not constitute a proper use of premium dollars, and which nationwide expenses are properly included in the New York rate through allocation. Insurers and agents were questioned regarding information discovered during the course of the investigation, including the annual expenditure of millions of dollars on meals, entertainment, and gifts for attorneys and other real estate professionals who order title insurance on behalf of their clients. Such expenditures are included in the ratemaking calculation and, accordingly, are ultimately paid for by the insured. The insurers also testified in connection with their methods for allocating nationwide expense to New York. The insurers and agents were further questioned in connection with large markups charged for additional searches and services that are performed prior to the issuance of a title insurance policy and about payments made to closers at real estate closings that can add hundreds of dollars to consumers' closing costs.

On May 6, 2015, the Department published a proposed regulation in the State Register. The Regulation provides guidance in connection with the Insurance Law, which prohibits the payment of any consideration or valuable thing to certain prohibited persons as an inducement for title insurance business, by including examples of categories of improper expenditures that the Department's investigation revealed were prevalent in the title insurance industry.

The Department received hundreds of comments from various stakeholders involved in the title insurance industry. The Department met with title insurance corporations, agents, trade associations, and TIRSA. The Department reviewed all comments and is revising certain provisions of the proposed regulation, which will then be republished for further comment.

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 sales finance company that acquired and serviced "subprime" automobile loans to customers in New York and more than two dozen other states, and its owner, Stephen Baron. The case was the first legal action initiated by a state regulator under section 1042 of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which empowers state regulators to bring civil actions in federal court for violations of Dodd-Frank's consumer protection requirements, and obtain restitution for abused customers and other remedies provided for under that law. The DFS proceeding alleged, among other misconduct, that Condor was hiding the existence of customers' positive account balances and retaining them for itself, and sought restitution for Condor consumers, the appointment of a receiver to wind down Condor's operations, and other remedies. After the Court granted the Department's motion for a preliminary injunction and appointed a receiver in May 2014, the receiver found violations of the Truth in Lending Act ("TILA") with respect to interest charged to consumers and that Condor's law violations impacted the vast majority of Condor's customers over the eighteen years the company has operated.

In December 2014, DFS reached a settlement with the defendants and the Court entered a Final Consent Judgment. Under the terms of the Final Consent Judgment, Condor and Mr. Baron will make full restitution plus nine percent interest to all aggrieved customers nationwide (an estimated $8-9 million) and pay a $3 million penalty. In addition, Condor admitted to violations of Dodd-Frank, the Truth in Lending Act, the New York Banking Law, and the New York Financial Services Law. Mr. Baron admitted to violating Dodd-Frank by providing substantial assistance to Condor's law violations. Following the receiver's sale of Condor's remaining loans in a manner that ensures appropriate consumer protections, Condor will surrender its licenses in all states.

Pursuant to the Final Consent Judgment, the Receiver conducted an exhaustive sale process, which culminated in the June 2015 entry into a binding letter of intent to sell substantially all of Condor's remaining loans to Och-Ziff Capital Management. Mr. Baron moved to enjoin such sale, which motion was denied by the district court on July 21, 2015. Mr. Baron then filed an appeal to the Second Circuit Court of Appeals, which will be argued in or after June 2016. By Order of December 23, 2015, the district court also issued final orders confirming the sale of substantially all of Condor's assets to Och-Ziff and enjoining Mr. Baron from further interference with the sale process and requiring him to cooperate in all respects with the Receiver and the remaining requirements of the Final Consent Judgment.

Military Initiative

As part of his 2015 Opportunity Agenda, Governor Cuomo announced his intention to crack down on high-interest loans made to military service members by closing the "Fort Drum Loophole." That loophole—predicated on a 2005 determination by the New York Banking Department—had allowed companies to make unlicensed loans to service members stationed in New York, but who were not permanent New York residents, that charged more than double New York State's interest rate caps. In July 2015 the Department formally reversed the 2005 determination administratively.

As part of that reversal, Omni Military Lending, after discussions with DFS, agreed that all loans to service members stationed in New York would now be made through an entity licensed by DFS in compliance with New York's usury and licensed lender laws. Omni had been making loans in New York at interest rates of up to 36%—despite a New York State interest rate cap of 16% on such loans. DFS sent a letter to Omni on July 6, 2015 acknowledging the company's agreement and providing guidance to all military lenders that loans made to service members stationed in New York should be made in compliance with New York's interest rate caps, thereby closing the Fort Drum loophole.

Regulation of Debt Collectors

On November 14, 2014, DFS adopted new nation-leading regulations for debt collectors operating in New York. These rules are intended to cut down on repeated, harassing phone calls from debt collectors; guard against the collection of expired debts; prevent situations where companies try to collect debts from the wrong consumer for the wrong amount of money due to poor record-keeping; protect consumers from "phantom debt" scams in which fraudsters attempt to pressure consumers to pay debts that they do not owe; as well as address other widespread abuses in the debt collection industry. These rules took effect in part in March 2015 and the remainder in August 2015. Throughout 2015, DFS met with the debt collection industry to answer questions and help it comply with the new rules. In September 2015, DFS adopted amendments to the regulations to fix problems identified during the discussions with industry and posted Frequently Asked Questions to help provide clarification. DFS also met with consumer advocates to train them to use the regulations to protect consumers and published materials online to help consumers understand and use the tools when dealing with debt collectors.

Initiative to Prevent Elder Financial Exploitation

At the beginning of 2015, Governor Cuomo directed DFS to increase its efforts to combat elder financial exploitation. As part of this initiative, DFS focused on the important role that New York banks and credit unions can play in identifying, investigating, and reporting suspected elder abuse.

In February 2015, DFS issued guidance to banks and credit unions doing business in New York State regarding best practices for the prevention of elder financial exploitation, including the adoption of red flag procedures for the detection of abuse. DFS simultaneously distributed a survey to a group of New York-chartered community banks concerning their current practices for investigating and reporting potential elder financial exploitation. In late 2015, DFS and the Office of Children and Family Services provided three training sessions for New York banks and credit unions on how to effectively recognize and report elder financial exploitation. The trainings were offered in the Finger Lakes region, Albany, and New York City. Over 150 people from 65 institutions, primarily New York-chartered community banks and credit unions, attended the training sessions.

The Department has also begun a dialogue with life insurers and insurance producers to work toward best practices for the prevention of elder financial exploitation in the life insurance industry.

In June 2015, DFS also released tips on its website that discuss how to prevent elder financial exploitation. The tips explain various kinds of elder financial exploitation and the protective measures that elderly New Yorkers and others can take to prevent such abuse.

Student Protection Unit

In January 2014, Governor Cuomo established the Student Protection Unit ("SPU") as part of his 2014-15 Executive Budget to serve as consumer watchdog for New York's 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.

As its first official action, in January 2014 SPU issued subpoenas to several student debt relief providers as part of an investigation into concerns about potentially misleading advertising, improper fees, and other consumer protection problems in that industry. The companies generally charge improper fees to connect distressed student loan borrowers to free federal government debt relief programs. On June 30, 2015, DFS entered into a Consent Order with Direct Student Aid, Inc., a student debt relief company. Direct Student Aid agreed to shut down its business nationwide and pay a $10,000 penalty. SPU is continuing to investigate the student debt relief industry.

The SPU also participated in the Governor's Capital-for-a-Day program for Central New York and the Mohawk Valley during which the Unit provided on-the-ground assistance to borrowers facing difficulties with student loans.

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

The 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. The SPU accepts complaints through the Online Complaint Portal available on the DFS website and by mail.

Online Livery Investigation

DFS has been monitoring and meeting with companies involved in the "sharing-economy" to ensure that insurance offered in connection with their new products and services complies with state laws and protects consumers. Lyft began offering its ride-sharing services in the state on April 24, 2014, launching in Buffalo and Rochester. The company recruited consumers to use their privately owned cars to pick up and drive passengers for a fee through Lyft's online platform. Participating drivers had non-commercial licenses and non-commercial insurance attached to their vehicles. DFS met with Lyft to learn about its program and expressed concern that vehicles participating in their program did not have adequate insurance, which put participants and the public at risk.

In July 2014, after Lyft announced that it was launching in New York City, DFS and the New York Attorney General filed a lawsuit against the company in New York Supreme Court alleging violations of, among other laws, the Insurance, Financial Services, Executive, Business Corporation, General Business, and Vehicle and Traffic Laws. DFS and the Attorney General also filed a motion for a temporary restraining order and permanent injunction to prevent Lyft from, among other things, continuing to violate the New York Insurance Law. The motion for a temporary restraining order was resolved when Lyft agreed to comply with New York law by stopping its operations upstate and only using licensed livery drivers in New York City.

The parties settled the case in July 2015 after Lyft agreed to injunctive terms that require it to operate in compliance with existing law, including ensuring that drivers have proper insurance in place at all times, and paid a $300,000 settlement.

Pension Lending Investigation

DFS launched an investigation into pension lending, prompted by reports of high interest loans taken out by pensioners. Companies solicit pensioners over the internet, seeking pensioners who will "sell" their pensions for a set period of time in exchange for lump sum payments. Soon after commencing the investigation, DFS entered into a joint investigation with the Consumer Financial Protection Bureau ("CFPB").

In August 2015, DFS and the CFPB sued two pension lending companies—Pension Income, LLC, and Pension Funding, LLC—as well as three individuals in the Central District of California. The suit alleged that the defendants violated the Dodd-Frank Consumer Financial Protection Act and New York Banking and Financial Services Laws, by misleading consumers who took out loans using their pensions, deceptively marketing the products 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, prevent further consumer injury, and install a receiver to facilitate winding down the companies and provide consumer relief. The Office of the Attorney General is representing DFS in the action. In December, DFS, the CFPB, and four of five defendants reached an agreement on a stipulated preliminary injunction that would install the receiver; its entry by the Court is expected in early 2016. Also in December, the Court entered a default judgment against the remaining individual defendant.

Price Optimization

In February 2015, DFS began an investigation into whether the use of "price optimization" as part of an insurer's rate setting violates the Insurance Law. "Price optimization" is the practice of varying rates based on factors other than those directly related to valid expenses or risk of loss. Examples of price optimization include setting rates based on an insured's likelihood to renew a policy, or on an individual's or class of individuals' perceived willingness to pay a higher premium relative to other individuals or classes. In March 2015, DFS sent Section 308 letters to certain insurers that underwrite auto insurance in New York, requesting information as to whether they are using price optimization and data concerning how price optimization is being used. DFS is analyzing the data.

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 from employment in the insurance industry if convicted of a criminal felony involving dishonesty or a breach of trust. The ban, however, may be removed 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 also reviews all applications to lift the ban.

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

In 2015, the Department entered into approximately 285 stipulations imposing penalties on insurance companies or producers. In addition, 7 licenses were revoked after administrative hearing, 38 licenses were surrendered with the full force and effect of revocation, and 14 Section 1033 waivers were approved.

Stipulations in 2015

Type of Action	Total Requested	Total Completed	Fine Amount
Agent/ Broker	235	229	$657,500
Company	50	39	$2,744,105
Total	285	268	$3,401,605

Hearings in 2015

	Requested	Held	Pending
Agent/Broker/Applicant	44	26	18

CRIMINAL INVESTIGATIONS AND ENFORCEMENT ACTIVITIES

Criminal Investigations Bureau (CIB)

Highlights of 2015

- Court-ordered restitution resulting from CIB's investigations totaled over $220.2 million;
- The Mortgage Fraud Unit's investigations resulted in 14 arrests, involving more than $3 million in losses to victimized homeowners and financial institutions;
- CIB conducted 55 investigations, resulting in 11 convictions;
- Twenty-four new cases were opened for investigation.

Background

The CIB investigates possible violations of the New York Banking Law and certain enumerated misdemeanors and/or 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 that capacity, CIB has responsibility for reviewing applicants' criminal histories to assist the Mortgage Banking and Legal Divisions in their determinations of whether applicants meet the statutory requirements to be licensed or registered as a mortgage loan originator by DFS. In addition, CIB provides critical support to various Operating Units within DFS to ensure that applicants for licensing have the requisite character and fitness.

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 CIB's major focuses are the following areas:

Bank Secrecy Act and Anti-Money Laundering Investigations

CIB conducts criminal investigations into possible violations of the federal Bank Secrecy Act, federal and state anti-money laundering laws and related regulations, and possible violations of the federal Office of Foreign Assets Control (OFAC) laws and related regulations. Members of CIB have assisted federal, state, and county prosecutors in numerous investigations relating to violations of both federal and state laws.

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 and to eliminate illegal money laundering. 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 (MFU) was created to combat mortgage fraud by providing investigative expertise and support to regulatory and law enforcement agencies. The MFU's 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. In furtherance of 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. CIB held its eighth Mortgage Fraud Forum in 2015. The Forum highlighted recent mortgage fraud trends, including deed thefts schemes, short sale fraud, loan modification and foreclosure rescue scams, and state and federal investigations and prosecutions.

Since its inception in April 2007, the MFU has participated in investigations that have culminated in charges against more than 278 individuals and involved more than $563.3 million in losses to victimized homeowners and financial institutions. In 2015, mortgage fraud investigations resulted in 14 arrests and 11 convictions in cases involving more than $3 million in losses to victimized homeowners and financial institutions.

Syracuse Real Estate Agent/Attorney Pleads Guilty and is Sentenced in $1 Million Fraud Scheme

A Syracuse woman who was both a real estate agent and attorney pleaded guilty to participating in a large mortgage fraud scheme that bilked banks and homeowners. Along with her co-conspirators, she deceived consumers by advertising a rent-to-own opportunity in which first-time home buyers with low credit were offered the chance to own their own homes without down payments or closing costs. The defendant took out fraudulent mortgages against those properties, conned lenders into believing she was paying off the underlying mortgages, and pocketed the proceeds from the mortgages. She was sentenced to two-and-a-half-to-seven years in prison and ordered to pay $568,360 in restitution for her participation in the scheme. CIB referred this matter to the Office of the Attorney General after an initial investigation and provided substantial analytical and investigative support to the prosecuting team.

Two Long Island Men Plead Guilty and Are Sentenced in Scheme to Defraud Potential Home Buyers

Two Long Island men pled guilty to wire fraud conspiracy in federal court in Manhattan after perpetrating a scheme to defraud aspiring home owners whose poor credit prevented them from obtaining traditional mortgages. Through a company, the men promised to help financially struggling individuals purchase homes by providing private financing for their purchases in exchange for small deposits or down payments. Instead of purchasing homes, the company diverted most of the customers' deposits into one of the men's personal accounts. Through the scheme, the company received approximately $800,000 from more than 100 potential home buyers throughout the United States. One of the men was sentenced to 48 months in prison, 3 years of supervised release, and $837,000 in forfeiture; the other was sentenced to 15 months in prison and 3 years of supervised release. Substantial investigative assistance was provided to both the FBI and the U.S. Attorney's Office for the Southern District of New York.

Businessman Pleads Guilty in Flipping Scheme

A businessman pleaded guilty to bank fraud in federal court in the Eastern District of New York ("EDNY"). Through his company, the man sold a property in Brooklyn, New York, twice in nine months using a straw buyer, and mortgage loan proceeds totaling approximately $1.1 million were deposited into accounts he controlled. He was sentenced to three years of supervised release and ordered to pay $525,000 in forfeiture. Substantial investigative support was provided to the FBI and the U.S. Attorney's Office for the EDNY.

Six Individuals Arrested and Indicted in Multimillion-Dollar Scheme to Deceive Homeowners

In May, three individuals, including an attorney, were arrested and charged with acting through an organization advertising help to those seeking loan modifications to avoid foreclosure. The defendants deceived consumers into selling their homes to a for-profit real estate company affiliated with the defendants. In December, three other individuals were also arrested in connection with the scheme. All six defendants have been indicted and charged with conspiracy to commit bank fraud and wire fraud. This was a joint investigation with the U.S. Attorney's Office for the Southern District of New York.

Defendant Surrendered in Multi-Million-Dollar Scam Involving Elderly Woman

A woman surrendered and received a 30-month prison term, 3 years of supervised release, and was ordered to pay $2.4 million in restitution for her role in preying on an elderly woman. The woman and her co-defendant used false documents and fraudulent representations to steal the elderly woman's property. The defendants then deceived a bank into lending them more than a million dollars on the property. This matter was referred to the New York State Attorney General's Office and substantial investigative support was provided to the U.S. Attorney's Office for the Southern District of New York.

Major Financial Fraud Investigations

Investment Executive and Businessman Pleaded Guilty and Was Sentenced in Insurance Fraud Scheme

In February 2015, a former executive director of investments at a New York financial services company pleaded guilty to participating in a massive scheme to defraud an investment bank and Oklahoma regulators. He conspired with former executives of a bank and another defendant, a Kentucky businessman, to deceive his firm into providing a $30 million loan to finance the purchase of an Oklahoma insurance company and to trick Oklahoma insurance regulators into approving the purchase. The former executive was sentenced to 21 months in prison and ordered to pay $10 million in restitution. The Kentucky businessman was sentenced to 12 years in prison and ordered to pay more than $108 million in restitution and $10.8 million forfeiture for committing various tax crimes and a fraud that involved the bribery of bank officials, defrauding bank regulators, the fraudulent purchase of an insurance company, and the defrauding of insurance regulators and an investment bank. CIB conducted the initial investigation, and referred the case to the U. S. Attorney's Office for the Southern District of New York.

CEO Sentenced for Role in Fraud Scheme

In August, the former president and chief executive officer of a bank was sentenced to 30 months in prison and ordered to pay $54 million in restitution for self-dealing, bank bribery, embezzlement of bank funds, attempting to fraudulently obtain more than $11 million of taxpayer rescue funds from the Troubled Asset Relief Program, and participating in a $37.5 million fraud scheme that left the Oklahoma insurance company in receivership. A former senior vice president of the bank was also sentenced to 1 year and 1 day and ordered to pay $49 million in restitution for his role in the schemes.

CIB conducted the initial investigation and referred the case to the U. S. Attorney's Office for the Southern District of New York.

CEO and Managing Director of U.S. Broker-Dealer Each Sentenced in $5 Million Scheme to Bribe a Venezuelan Foreign Official

A former chief executive officer and former managing director of a broker-dealer were each sentenced to four years in prison for bribing a senior official in Venezuela's state economic development bank. Both defendants, working with others, arranged bribe payments of approximately $5 million to a senior Venezuelan official in exchange for her directing financial trading business to their broker-dealer. Investigative assistance was provided to the FBI and the U.S. Attorney's Office for the Southern District of New York.

Former Bank Teller and Co-Conspirator Re-Arrested in Bank Fraud and Identity Theft Scheme

A former bank teller and her co-conspirator were arrested in connection with a bank fraud and identity theft scheme that stole over $457,000 from customers of a bank in Orange County. While working at the bank, the former teller unlawfully accessed and stole bank account numbers and personal identification information of more than 200 victims. Her co-conspirator used the stolen information to withdraw funds from 77 customer accounts. This matter was referred to the Crime Proceeds Task Force of the Office of the Attorney General.

Former Chief Executive Officer of Financial Lending Company Sentenced to 97 Months in Prison for His Involvement in a $93 Million Bank Fraud Scheme

A former chief executive officer of a financial lending company that secured lines of credit of businesses throughout the United States was sentenced in federal court to 97 months in prison. The defendant misled financial institutions about the company's financial health by providing them with false documentation that included changing delinquency dates to make it appear that loans were current; booking fictitious payments to create false accounts receivable; and falsifying delinquent accounts receivable by making loans appear to have been timely paid and stable. The fraud resulted in losses totaling in excess of $93 million. Investigation assistance was provided to the FBI and the U.S. Attorney's Office for the Eastern District of New York.

Company and Five Partners Charged in Connection with Issuing False and Misleading Audit Opinions

The Securities and Exchange Commission (SEC) charged a national audit firm with dismissing red flags and issuing false and misleading unqualified audit opinions about the financial statements of a staffing services company. The SEC also charged five of the audit firm's partners for their roles in the deficient audits, and filed fraud charges against the client company's then-chairman and majority shareholder. The company agreed to admit wrongdoing, pay disgorgement of its audit fees and interest totaling approximately $600,000, together with a $1.5 million penalty, in addition to complying with undertakings related to quality controls. The five partners agreed to settle the charges against them, accepted suspension from practicing public company accounting for varying periods, and paid a combined total of $75,000 in penalties. Two former chief executive officers of the staffing services company agreed to settle separate charges, consenting to SEC orders requiring them to each pay $150,000 penalties. CIB conducted the original investigation and assisted the SEC with its investigations.

ATM Program

The New York Banking Law authorizes DFS to enforce provisions of the New York ATM Safety Act (Act). The primary purpose of the Act is to ensure the safety and convenience of automatic teller machines (ATM) users by establishing minimum security measures at ATM locations. The DFS ATM Inspection Unit ensures compliance with the Act by conducting inspections of bank-owned ATM facilities throughout the State and monitoring compliance submissions provided to DFS as required under the Act. The Superintendent has authority to assess fines for violations of the Act and to approve variances or exemptions of required security measures. The Act applies to all federal- and state-chartered banking institutions, whether headquartered in or outside New York State, provided that the institution operates one or more ATMs within the State. As of year-end 2015, there were 5,307 ATMs under the ownership of banking institutions and, thus, subject to the security provisions of the Act.

During 2015, the ATM Inspection Unit of CIB conducted 6,579 inspections and issued 1,003 notices of violations.

Mortgage Loan Originator Licensing Support

CIB provides critical support to the Mortgage Banking Unit's efforts to comply with the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act). 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 (NMLS). One of the key tools in the SAFE Act is the requirement of a criminal background check of each mortgage loan originator applicant. During 2015, CIB investigators reviewed 570 criminal history reports related to mortgage loan originator applications filed with DFS.

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
- MAGLOGLEN (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 2015

- 490 new cases were opened for investigation;
- Investigations led to $2.4 million in court-ordered restitution;
- Investigations resulted in 330 arrests, 79 of which were for health care fraud;
- Prosecutors obtained 355 convictions in cases in which the Bureau was involved;
- 57% of all fraud reports received by the Bureau were for suspected no-fault fraud.

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.

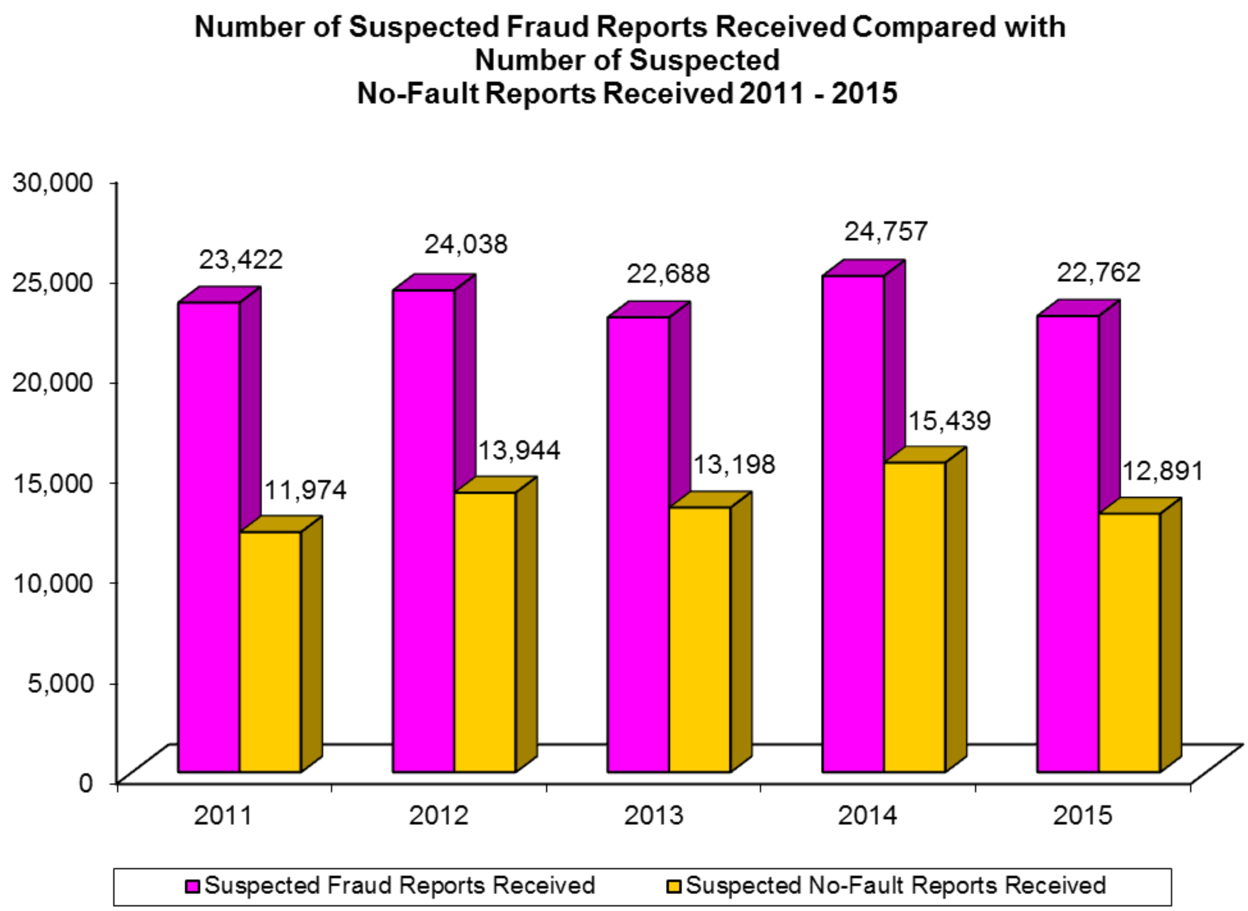
Reports of Suspected Fraud/Investigations

The Bureau received 22,762 reports of suspected fraud in 2015. The vast majority of those reports—21,827—were from licensees required to submit such reports to the Department. The remaining reports were from other sources, such as consumers or anonymous tips. The Bureau opened 490 cases for investigation in 2015. Tables showing the number of fraud reports received, investigations opened, and arrests by type of fraud appear in the Appendices.

During 2015, the Bureau referred 131 cases to prosecutorial agencies for prosecution. Prosecutors obtained 355 convictions in Bureau cases.

No-Fault Fraud Reports and Investigations

The number of suspected no-fault fraud reports received by the Bureau accounted for 57% of all fraud reports received by the Bureau in 2015.



Combating no-fault fraud is one of the Department's highest priorities. Deceptive health care 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

Insurance Frauds Bureau investigations led to 330 arrests for insurance fraud and related crimes during 2015.

Restitution

Criminal investigations conducted by the Bureau resulted in $2.4 million in court-ordered restitution.

Multi-Agency Investigations

In 2015, the Bureau conducted multi-agency investigations with the following government departments, agencies and offices:

- New York Police Department's (NYPD) Fraudulent Collision Investigation Squad (FCIS) and Auto Crime Division
- Fire Department of New York's (FDNY) Bureau of Fire Investigations
- Office of the Workers' Compensation Fraud Inspector General
- New York State Office of Fire Prevention and Control
- New York State Insurance Fund
- District Attorneys' Office
- State and local Police and Sheriff's Departments
- U.S. Attorney's Offices
- New York State Comptroller's Officer
- New York State Attorney General's 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 (FBI)
- U.S. Department of Health and Human Services

Task Force and Working Group Participation

The Bureau is an active participant in 13 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 Attorney's Office Insurance Crime Bureau
- New York Alliance Against Insurance Fraud

2015 Highlights from Task Force Participation:

Based on information developed by the Bureau in conjunction with the High Intensity Drug Trafficking Area (HIDTA) program, eight defendants were arrested in December for their involvement in bust-out fraud scheme that victimized financial institutions and other businesses. In a bust-out scheme, the perpetrators apply for and use credit under their own names or using synthetic identities. They initially make timely payments to maintain good account standing and obtain additional lines of credit and higher credit limits. Eventually, they draw down all available credit, stop making payments, or bounce checks and disappear. In this case, the perpetrators created synthetic identities and obtained lines of credit, then transferred funds to checking accounts and used the funds. They also used credit cards to charge purchases from both legitimate and collusive merchants. One such merchant, the owner of a boutique, knowingly accepted fraudulent credit cards for purchases and also created several shell companies for the sole purpose of furthering the scheme. Those companies charged over 500 transactions totaling $1.7 million. The total proceeds from the scheme exceeded $4 million.

As a result of an investigation by the DEA Tactical Diversion Task Force, a physician's assistant was sentenced to 11 years in prison and a fine of $1.8 million. He had pleaded guilty to conspiracy to distribute oxycodone for prescribing more than 125,000 pills for individuals with no medical records warranting the prescriptions. He will also forfeit $1,870,680 in proceeds from the scheme and spend three years in supervised release after serving the prison time.

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/or drove their vehicles to obtain lower premiums in 2015. A summary of the data appears in the Appendices under the Section titled “2015 Data Call: Vehicle Principal Location Misrepresentations.”

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, workers’ 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 (SIU) 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, 2015 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 “life settlement provider.” 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 15 of each year that describes the provider's experience, performance, and cost effectiveness in implementing its Plan. There were 30 licensed life settlement providers in New York as of December 31, 2015, 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 2015

- An attorney was arrested for his participation in the sale of fake insurance bonds for construction of the World Trade Center PATH transportation hub. He allegedly sold fraudulent bonds to a construction subcontractor with a $6.2 million subcontract for work at the site; the attorney wired a sizable portion of the premium to himself and a co-conspirator. The IFB participated in this investigation with the Office of the Inspector General of the Port Authority of New York and New Jersey, a member of Financial Fraud Enforcement Task Force.
- The owner of a construction company was arrested after the State Insurance Fund reported suspected fraud to the IFB based on a workers' compensation insurance application submitted by the owner. An investigation conducted by the IFB and Suffolk County District Attorney's Office found evidence that the owner had underreported the number of company employees and the amount of the company payroll for a six-month period. During that time, the company allegedly conducted $732,882 in unreported business, thereby avoiding payment of $83,600 in premiums to the Fund.
- An investigation revealed that for more than three years, a licensed wholesale insurance broker who had secured a policy for a client had created invoices reflecting inflated premiums and had pocketed $58,000 in illegal profits. The broker also failed to forward more than $200,000 in premium payments to the insurer. He was arrested following a joint investigation by the IFB and the Nassau County District Attorney's Office.
- An individual who had lost his license in 2002 to transact business with the New York Automobile Insurance Plan (NYAIP), New York's auto insurer of last resort, was arrested for submitting more than 2,500 insurance applications to the NYAIP. He placed the new business among 27 insurance companies using the license of a former co-worker (who was unaware of the scheme). the insurers issued 485 checks totaling more than $1.3 million in commissions and fees in the former co-worker's name, the suspect forged the former co-worker's signature on all but four of the checks and deposited them in his own account. The IFB and the NYAIP conducted the investigation with the assistance of the FBI.
- The treasurer/secretary of a volunteer fire department in upstate New York was arrested and charged with using a fire department debit card to make ATM cash withdrawals and using the cash for personal expenses. The fraudulent activity began sometime in 2013 and amounted to more than $83,000. The investigation was conducted by the Otsego County District Attorney's Office and the IFB.

MOBILE COMMAND CENTER (MCC)

The MCC is a state-of-the-art vehicle equipped with the latest in computer and communications technology, including broadband and broadcast satellite, as well as police and ham radio communications.

Deployments

DFS deployed the MCC to 30 sites covering 17 counties across New York State during 2015 to provide hands-on advice and foreclosure-prevention assistance to New York families struggling to save their homes. The MCC was also included as part of the Governor's Capital for a Day program for Central New York and the Mohawk Valley during which the Department's Student Protection Unit provided on-the-ground assistance to borrowers facing difficulties with student loans.

THE CONSUMER ASSISTANCE UNIT (CAU)

Operations and Activities

CAU staff responsibilities include handling consumer complaints against insurance companies and financial institutions, disseminating information and 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 DFS New York Complaint Information System (NYCIS) serves as CAU's work flow 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 or currently in the process of being implemented are the following:

- Complaint Resolution: The 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 (DTF). DFS staff works with the

CCC to provide updates and new information to assist callers. The call center operates 8:30 - 4:30 Monday through Friday, with extended coverage during disasters.

- Consumer Assistance on “Gap” Products: Under the Financial Services Law, FFCPD has authority to handle complaints regarding “gap” products and services—unregulated financial products and services such as payday loans, debt collectors, prepaid debit cards, student loans, and debt settlement complaints, 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 40,491 insurance complaints in 2015. The Unit processed 30,176 insurance complaints and handled 739 insurance inquiries. Insurance complaints were closed with the following dispositions: 6,739 were upheld and/or transferred for prompt pay review; 4,649 were not upheld but were adjusted; 9,397 were not upheld; and 9,391 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	1,676	$9,120,525
Service Contracts	9	15,126
No-Fault	376	867,438
Health	1,173	5,202,895
Auto	431	2,110,645
Investigations	48	247,778
Life	40	1,760,157
Prompt Pay	4,109	22,097,599
Total	**7,862**	**$41,422,163**

During 2015, CAU also required insurance companies to offer reinstatement to 4,635 policyholders as a result of CAU’s 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 Related)

In 2015, the CAU processed 2,641 non-mortgage related complaints, referrals, and inquiries, representing a 5.88% decrease from 2014. A breakdown is set out below:

	December 31, 2015	December 31, 2014	Percent Change
Complaints	2523	2561	368.2
Referrals	72	165	007.8

Written Inquiries	46	80	13.04
Aggregate Volume	2641	2806	243.03
Phone Inquiries	54,716	57,383	79.68

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 health care plan issuing the denial. An external appeal may be requested when a health plan denies insurance coverage because it deems specific health care 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 an 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 2015 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

Voluntary Reversals - Plan overturned its denial before the appeal was submitted to a reviewer
Ineligible - The appeal was not eligible for an external review
Overturned - 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 2015				
Type of Denial	**Total**	**Overturned**	**Overturned in Part**	**Upheld**
Medical Necessity	6,464	2,175	264	4,026
Experimental/Investigational	169	82	0	87
Clinical Trial	1	1	0	0
Out-of-Network	3	1	0	2
Out-of-network Referral	7	1	0	6

Rare Disease	2	2	0	0
Total	**6646**	**2,262 (34%)**	**264 (4%)**	**4,121 (62%)**

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 on the appeal, the clinical peer reviewer is board-eligible or board-certified in the appropriate specialty, and 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.

2015 External Appeals Rejected as Ineligible	
Reason	**Quantity**
Alternate Dispute resolution	14
Applicant Withdrew Appeal	82
Contractual Issue	196
Covered benefit issue	53
CPT Code	8
Dr. Unable to complete attestation	2
Duplicate Application	111
Failure to respond	834
Federal Employees Health benefit program	23
Hospital failed to Notify Plan of Admission	3
Medicaid Fair Hearing	22
Medicare	164
No internal appeal	187
Out of Network	15
Out-of-state contract	64
Overturned on Internal Appeal	65
Provider ineligible to Appeal	31
Reimbursement issue	73
Self-insured coverage	383
Untimely	169
Total	**2,499**

Outreach and Response Efforts in 2015

CAU participated in various outreach events. These events were specific to Storm Sandy, Nail Salon Wage Bond requirements, Elder Abuse, and Health Fairs.

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 2015, the Producer Licensing Unit issued 226,055 licenses and collected over $20.2 million in fees. The Producer Licensing Unit also monitors, approves, and audits producer continuing education courses.

CONSUMER EXAMINATIONS

Background

The mission of the Consumer Examination Unit (CEU) is to maintain and enhance consumer confidence in New York's banking system by ensuring that regulated institutions abide by the State's consumer protection, fair lending, and Community Reinvestment Act (CRA) laws and regulations, and to increase consumer access to traditional banking services in under-served communities by administering the Banking Development District program and evaluating regulated institutions' 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

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

In 2015, CEU conducted 27 consumer compliance exams. The examinations revealed that several depository institutions were subject to regulatory risk resulting from their failure to develop policies and procedures that covered all relevant New York State laws, regulations, and supervisory procedures. The examinations also uncovered objectionable practices regarding late fees in loan servicing; required disclosures, such as Truth in Lending Act, Truth in Savings Act, basic banking account, and safe deposit box disclosures; and bank account service charges exceeding the amounts mandated by law. CEU works with the institutions to address these practices. CEU also continues to enhance its examination inquiries to better track market practices and to put institutions on notice regarding new areas of interest in consumer compliance. Finally, CEU initiated a plan to conduct examinations of New York State-chartered credit unions to be implemented in 2016.

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 2015, CEU conducted 31 fair lending exams of 27 depository institutions and 4 non-depository institutions. CEU also reviewed approximately 52 fair lending plans. In addition, CEU instructed a number of institutions to provide additional information regarding their credit factors, including scorecards, a description of the institution's custom credit score, and the criteria and weights assigned to the criteria that go into this custom score. CEU also developed a plan to identify and combat redlining discrimination to be implemented starting in 2016.

CRA Examinations

CRA 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 in low- and moderate-income (LMI) neighborhoods. CRA examinations also try to confirm that borrowers and businesses at all income levels have access to appropriate financial resources at a reasonable cost without straying beyond the bounds of safe and sound banking practices.

Through intensive on-site examinations, CEU supports banks' efforts to comply with New York State's CRA regulations and issues examination ratings and reports that must be shared with the public.

In 2015, the Consumer Examination Unit conducted 21 CRA exams. CEU conducted outreach regarding the Department's guidelines regarding bank lending to owners of multifamily affordable housing (see "Slumlord Prevention Guidelines" below) at an interagency forum for community groups and banks regarding affordable housing.

Slumlord Prevention Guidelines

DFS addressed the rise in the number of affordable multifamily properties now considered in physical and/or financial distress by finalizing its Slumlord Prevention Guidelines to help protect tenants, strengthen communities, and promote sustainable, long-term investments in rental housing.

The guidelines, proposed in September 2013 and finalized in updated form in December 2014, include new CRA examination rules and a number of financial institution best practices to incentivize banks to lend to landlords who are committed to the long-term health of a community—instead of slumlords who let buildings fall into disrepair.

Under the guidelines, CRA examinations are being used to:

- Ensure banks' loans contribute to, and do not undermine, the availability of affordable housing or neighborhood conditions;
- Ensure banks actively monitor the multifamily rental properties financed by their loans so that families are not forced to live in dilapidated or unsafe conditions;

- Evaluate whether banks' loans to landlords were underwritten in a sound manner in order to protect tenants from eviction based on speculative real-estate investment, as opposed to responsible ownership;
- Ensure banks consult with appropriate community organizations when foreclosing on a multifamily property in distressed physical or financial condition so that responsible owners may be identified to acquire the property and protect tenants.

Community Development

The Community Development Unit (CDU) facilitates the development and/or preservation of banking services in under-served and LMI neighborhoods. CDU researches and analyzes community demographic information to ascertain the financial needs of consumers; reviews the community impact of applications for branch closings, openings, and relocations, as well as bank mergers, acquisitions, conversions, dissolutions, and community development equity investments. The CDU also administers the Banking Development District (BDD) program, including reviewing the requests of participating banks for renewal of deposits and making recommendations to the Office of the State Comptroller and financial institution applicants based on those reviews. 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.

Applications Processing

In 2015, CDU processed 139 branch applications for the following: 30 closings; 21 electronic facility (ATM branch) openings; 46 full branch openings; and 15 relocations. In addition, CDU processed 10 specialized applications, including 1 conversion, 3 mergers, and 6 acquisitions, and issued 17 approval letters for applications to make community development equity investments.

BDD 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 1 recommendation with 12-month probation.

CDU also approved the designation of one new BDD and continued working with another two applicants seeking to establish BDDs.

Community Outreach

CDU continued to coordinate with New York City's Department of Housing Preservation and Development and the University Neighborhood Housing Program to further the DFS mission to protect tenants of multifamily properties in physical or financial distress through CRA examinations. In addition, CDU planned and participated in four interagency meetings with its federal regulatory peers (Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, and the Federal Reserve Bank of New York).

Summary of Consumer Examination Unit

The Consumer Examination Unit is responsible for performing consumer compliance, fair lending, and CRA examinations, as well as for carrying out related community development activities. In 2015, the unit conducted 27 consumer compliance, 31 fair lending, and 21 CRA exams, and made recommendations regarding 139 bank applications and 17 requests for the renewal of BDD branch deposits.

Type of Work	2015	Scheduled in 2016
Consumer Compliance	27	29
Fair Lending (FL)	31	46
FL Depositories	27	29
FL Non-depositories	4	17
CRA	21	26
CDU – applications	139	Unknown
CDU – BDD request for renewal	17	17

HOLOCAUST CLAIMS PROCESSING OFFICE (HCPO)

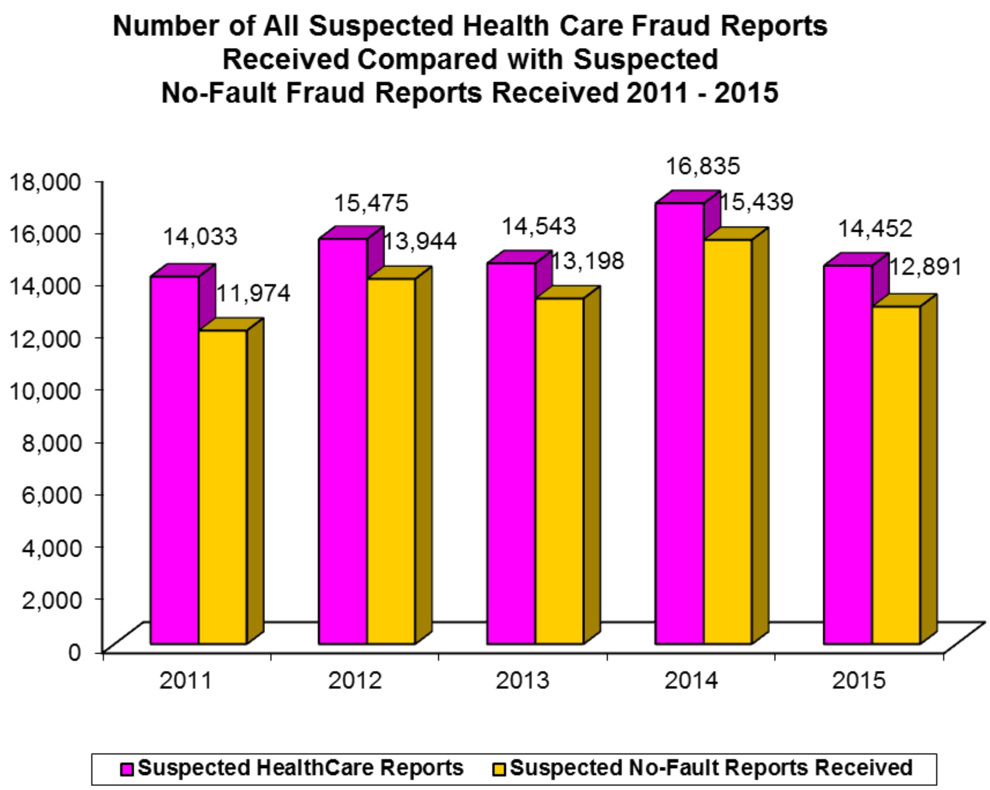
The Holocaust Claims Processing Office helps Holocaust victims and their heirs recover assets deposited in banks, unpaid proceeds of insurance policies issued by European insurers, and artworks that were lost, looted, or sold under duress. The HCPO accepts claims for Holocaust-era looted assets from anywhere in the world and charges no fees for its services. From its inception through December 31, 2015, the HCPO has responded to more than 14,000 inquiries and received claims from 5,684 individuals from 46 states, the District of Columbia, and 40 countries. In total, the HCPO has successfully resolved 12,531 claims of 5,130 individuals in which an offer was accepted, there was previous compensation, or there was a final determination. To date, the HCPO has secured 8,318 offers and their combined total1 for bank, insurance, and other losses amounts to $173,551,122, representing an increase in offers of $1,830,420 from 2014.

As required by Section 37-a of the Banking Law, HCPO submitted its 2015 Annual Report to the Governor and Legislature on January 15, 2016. 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.

The FFCPD received 22,762 reports of suspected fraud in 2015, compared with 24,758 in 2014.

Number of Suspected Fraud Reports Received



Information Furnished By (IFB) Reports Received by Year

	2011	2012	2013	2014	2015
Boat Theft	5	4	0	2	8
Auto Theft	922	877	751	693	721
Theft From Auto	28	23	29	18	26
Auto Vandalism	350	290	239	213	308
Auto Collision Damage	2,213	1,931	1,812	1,654	1,933
Auto Fraudulent Bills	114	37	80	219	201
Auto Miscellaneous	1,268	1,376	1,271	1,503	1,273
Auto I.D. Cards	9	13	11	6	8
Total - Auto	**4,909**	**4,551**	**4,193**	**4,308**	**4,478**
Workers' Compensation	1,584	1,255	1,014	998	1,230
Total - Workers' Comp	**1,584**	**1,255**	**1,014**	**998**	**1,230**
Disability Insurance	144	142	182	162	205
Health Accident Insurance	1,915	1,389	1,163	1,234	1,356
No-Fault Insurance	11,974	13,944	13,198	15,439	12,891
Total - Medical/No-Fault	**14,033**	**15,475**	**14,543**	**16,835**	**14,452**

Boat Fire	4	1	0	0	1
Auto Fire	243	186	185	167	153
Fire – Residential	149	120	89	104	104
Fire – Commercial	34	29	21	40	23
Total - Arson	**430**	**336**	**295**	**311**	**281**
Burglary - Residential	380	278	254	174	196
Burglary - Commercial	82	60	45	33	32
Homeowners	823	997	1,068	769	765
Larceny	36	65	79	77	83
Lost Property	219	108	109	172	190
Robbery	22	9	14	7	20
Bonds	6	6	9	3	1
Life Insurance	407	381	397	433	481
Ocean Marine Insurance	10	6	18	13	15
Reinsurance	1	0	0	1	1
Appraisers/Adjusters	11	5	5	8	17
Agents	55	30	56	90	84
Brokers	50	40	45	46	45
Ins. Company Employees	3	0	4	4	4
Insurance Companies	42	69	62	33	52
Title/Mortgage	143	73	38	11	4
Commercial Damage	81	68	103	77	123
Unclassified	95	226	337	355	208
Total - General	**2,466**	**2,421**	**2,643**	**2,306**	**2,321**

Total IFBs Received	2011	2012	2013	2014	2015
Auto Unit Totals	4,909	4,551	4,193	4,308	4,478
Workers Comp Unit Totals	1,584	1,255	1,014	998	1,230
Medical/No-Fault Unit Totals	14,033	15,475	14,543	16,835	14,452
Arson Unit Totals	430	336	295	311	281
General Totals	2,466	2,421	2,643	2,306	2,321
Grand Total	**23,422**	**24,038**	**22,688**	**24,758**	**22,762**

Cases Opened by Year	2011	2012	2013	2014	2015
Boat Theft	0	2	0	0	0
Auto Theft	96	70	55	56	85
Theft From Auto	1	0	0	2	2
Auto Vandalism	9	6	3	1	2
Auto Collision Damage	65	38	25	34	26
Auto Fraudulent Bills	5	3	2	4	4

Auto Miscellaneous	39	25	16	27	23
Auto I.D. Cards	1	0	0	0	0
Total - Auto	**216**	**144**	**101**	**124**	**142**
Workers' Compensation	1,042	467	98	88	99
Total - Workers' Comp	**1,042**	**467**	**98**	**88**	**99**
Disability Insurance	13	3	2	10	9
Health Accident Insurance	72	41	32	34	37
No-Fault Insurance	88	44	22	65	46
Total - Medical/No-Fault	**173**	**88**	**56**	**109**	**92**
Boat Fire	1	0	0	0	0
Auto Fire	48	35	14	11	17
Fire – Residential	19	11	8	6	8
Fire – Commercial	12	6	6	9	5
Total - Arson	**80**	**52**	**28**	**26**	**30**
Burglary – Residential	12	11	1	2	9
Burglary – Commercial	2	1	1	0	2
Homeowners	22	9	6	9	15
Larceny	8	13	14	11	20
Lost Property	1	2	0	1	2
Robbery	1	0	0	1	1
Bonds	2	3	5	0	1
Life Insurance	13	9	11	10	17
Ocean Marine Insurance	1	0	1	0	0
Reinsurance	0	0	0	0	0
Appraisers/Adjusters	2	1	2	0	1
Agents	12	4	9	15	10
Brokers	17	7	8	6	10
Ins. Company Employees	1	0	0	1	0
Insurance Companies	10	1	0	6	1
Title/Mortgage	8	4	2	1	0
Commercial Damage	6	4	2	7	0
Miscellaneous	38	21	48	26	38
Total - General	**156**	**90**	**110**	**96**	**127**
Grand Total	**1,667**	**841**	**393**	**443**	**490**

Cases Opened by Year	2011	2012	2013	2014	2015
Auto Unit Totals	216	144	101	124	142

Workers Comp Unit Totals	1,042	467	98	88	99
Medical/No-Fault Unit Totals	173	88	56	109	92
Arson Unit Totals	80	52	28	26	30
General Unit Totals	156	90	110	96	127
Total	**1,667**	**841**	**393**	**443**	**490**

2011	IFBs	Cases	Arrests
Auto Unit Total	4,909	216	225
Workers' Comp Unit Total	1,584	1,042	148
Medical/No-Fault Total	14,033	173	210
Arson Unit Total	430	80	43
General Unit Total	2,466	156	77
Grand Total	**23,422**	**1,667**	**703**

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 DATA CALL: VEHICLE PRINCIPAL LOCATION MISREPRESENTATION

The 2016 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 2015.

Summary of Data Reported

- Over 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 2015 was 18,790.

- The total amount of reported premium lost in 2015 as a result of New York insureds that misrepresented the principal place where their vehicles were garaged and/or driven was $18,411,276.

- In 2015, 85% of the reported misrepresentations involved a location within New York State and 15% of the reported misrepresentations involved a location outside of New York State.

Misrepresentations Involving a New York State Location

- Total amount of reported premium lost in 2015 due to misrepresentations that involved a location (county) within New York State was $17,125,322.

- Top reported New York counties where insureds actually garaged and/or drove their vehicles in 2015:

Kings	27.61%
Queens	16.57%
Bronx	14.28%
Nassau	6.21%
New York	5.66%
Suffolk	5.43%
Westchester	3.27%
Monroe	3.20%
Onondaga	2.40%
Erie	1.57%
Orange	1.49%
Rockland	1.07%
Richmond	1.02%

- Top reported New York counties used by insureds to misrepresent where their vehicles were garaged and/or driven in 2015:

Suffolk	11.58%
Westchester	9.28%
Nassau	7.55%
Albany	5.07%
Monroe	5.00%
Orange	4.51%
New York	4.17%
Broome	3.84%
Queens	3.76%
Dutchess	3.57%
Onondaga	3.26%
Schenectady	2.87%

Misrepresentations that Involved a Location Outside of New York State

- Total amount of reported premium lost in 2015 due to misrepresentations that involved a location outside of New York State was $1,285,954.

- Top reported New York counties where the insureds actually garaged and/or drove their vehicles in 2015:

Kings	13.89%
Queens	10.59%
Suffolk	13.28%
New York	10.09%
Nassau	12.24%
Bronx	5.92%
Westchester	5.49%
Richmond	3.52%
Erie	3.23%
Monroe	1.51%
Orange	1.54%

- Top reported states used by insureds to misrepresent where vehicles were garaged and/or driven in 2015:

Florida	50.18%
Pennsylvania	11.02%
South Carolina	5.10%
Connecticut	5.03%
North Carolina	3.09%
New Jersey	2.12%
Georgia	1.87%
Arizona	1.97%
California	1.90%
Vermont	1.79%
Virginia	3.52%

Approved Fraud Prevention Plans on File as of December 31, 2015

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 General Life Companies
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
Capital District Physicians' Health Plan
Central Mutual Insurance Company
Centre Life Insurance Company
Chubb Group of Insurance Companies
CIGNA Health Group
Cincinnati Insurance Company
CNA Insurance Companies
CNO Services, L.L.C.
Combined Life Insurance Company of New York
Countryway Insurance Company
Country-Wide Insurance Company
CSAA Fire & Casualty Insurance Company
CUNA Mutual Insurance Society
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
Farmers' New Century Insurance Company
Fiduciary Insurance Company of America
Firemans' Fund Insurance Company
First Reliance Standard 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.
Hereford Insurance Company
HM Life Insurance Company of New York
IDS Property Casualty Insurance Company
Independent Health Association, Inc.
Infinity Property Casualty Company
Interboro Insurance Company
Ironshore Indemnity Incorporated
John Hancock Life Insurance Company of New York
Kemper
Lancer Insurance Company
Liberty Life Assurance Company of Boston
Liberty Mutual Insurance (Agency Markets)
Liberty Mutual Insurance (Commercial Lines)
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
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
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
United Healthcare Insurance Company of New York
United Healthcare of New York, Inc.
Unum Provident Company
Tri-State Consumer Insurance Company
Trustmark Insurance Company
Unicare Life and Health Insurance Company
Unimerica 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
USAA Group
Utica National Insurance Group
Voya Retirement and Annuity Company
WellPoint, Inc.
Zurich North America

2015 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.
ViaSource Funding Group, LLC
Wm. Page & Associates, Inc.