



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

March 15, 2015

Dear Governor Cuomo, Majority Leader and President Pro Tem Skelos, Majority Coalition Leader Klein, and Speaker Heastie:

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 Financial Frauds and Consumer Protection Division (FFCPD).

Among some of the highlights of FFCPD's work in 2014 are the following:

- The Department continued its efforts to eradicate illegal payday lending in New York by, among other initiatives, obtaining agreements from Visa and MasterCard to take a series of steps to help stop illegal payday lending over their debit card networks; and obtaining agreements from several national and state-chartered banks to use a database developed by the Department as a due diligence tool to help them confirm that their merchant customers are not using their accounts to make or collect on illegal payday loans to New York consumers, and identify payday lenders that engage in potentially illegal payday loan transactions with their New York consumer account holders.
- The Department adopted regulations that set nation-leading consumer protection standards for debt collectors operating in New York.
- The Department issued a final forced-place insurance regulation that should substantially reduce premiums by requiring insurers to file rates that properly reflect their actual loss experience.

We will continue to ensure that the Financial Frauds & Consumer Protection Division 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, as authorized by the Financial Services Law; and is aggressive and responsive in protecting the interests of New York consumers.

Respectfully submitted,

Benjamin M. Lawsky
Superintendent of Financial Services



New York State Department of Financial Services Financial Frauds and Consumer Protection Report

Annual Report as required by § 409(b) of the Financial Services Law

March 15, 2015

Benjamin M. Lawsky
Superintendent
New York State Department of Financial Service

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INTRODUCTION

This report, required under § 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 FFCPD's handling of consumer complaints; and the 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 a Civil Investigation Unit (including a staff of attorneys investigating civil financial fraud, consumer and fair lending law, banking law and insurance law violations, as well as a staff of attorneys who bring disciplinary proceedings against insurance producers for violations of the insurance law), a Criminal Investigation Unit (composed of the bureaus handling banking criminal investigations and insurance frauds), a Consumer Assistance Unit (CAU), a unit that handles insurance producer licensing and investigates complaints against licensed insurance producers (both housed under the CAU), a Consumer Examinations Unit (which 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 a new Student Protection Unit.

The powers of the FFCPD are set forth in § 404 of the Financial Services Law. Paragraph (a) clarifies that the Superintendent is authorized to investigate activities that may constitute violations subject to § 408 of the Financial Services Law, or violations of the Insurance Law or Banking Law. Under paragraph (b), if the FFCPD 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 2014 are discussed below.

Payday Lending Investigation

In early 2013, based on consumer complaints, DFS launched an investigation into payday lending. On February 22, 2013, the Superintendent issued a circular letter warning debt collectors that they are prohibited from collecting on illegal payday loans in New York, including usurious payday loans made in and to New York over the Internet. The letter stated that loans offered in New York by New York-chartered banks or non-bank lenders with an interest rate above the statutory maximums, including payday loans, are void and unenforceable, and that attempts to collect on debts that are void or unenforceable violate state and federal law.

On August 5, 2013, DFS sent letters to 35 online companies that were offering payday loans to New York consumers in violation of New York law, including loans with interest rates as high as 1,095%.

The letters demanded that the companies cease and desist from offering and originating illegal loans in New York. DFS also issued a letter to all debt collection companies operating in New York directing them not to collect on illegal payday loans from the 35 companies that the investigation had identified to date.

Also on August 5, 2013, DFS sent letters to 117 financial institutions, as well as NACHA, the association that administers the Automated Clearing House (ACH) network through which bank account credits and debits are issued, requesting that they work with DFS to enforce existing rules and to create a new set of model safeguards and procedures to stop illegal payday lending in and to New York.

In January 2014, DFS submitted a letter response to a November 2013 request for comment from NACHA regarding its proposed rules to improve ACH network quality. DFS noted that many of NACHA's proposed reforms represent a "positive step" toward preventing abusive ACH activity, but that the ACH network could be further strengthened if NACHA were to: (1) issue a policy statement clarifying that ACH debit authorizations to repay unenforceable, illegal loans are not valid; (2) require that banks that originate ACH transactions review NACHA's Originator Watch List and Terminated Originator Database as part of their due diligence obligations; and (3) require that consumers' banks properly effectuate stop-payment requests.

In April 2014, DFS obtained agreements from Visa and MasterCard to take a series of steps to help stop illegal payday lending over their debit card networks. DFS uncovered that as regulatory pressure focused on online payday lenders' abuse of the ACH network, some lenders instead used debit card transactions as an end run around that system to deduct funds illegally from New Yorkers' bank accounts. Visa and MasterCard agreed to (1) provide acquiring banks with information to assist them in determining whether any of their payday lender merchants may be operating in violation of New York law and (2) alert all acquiring banks of the risks of doing business with payday lenders that may be operating in violation of state law and remind the banks of MasterCard and Visa rules that apply to the processing of illegal merchant transactions. Also in April, DFS sent cease-and-desist letters to 20 additional companies that it identified as illegally promoting, making, or collecting on payday loans to New York consumers. Twelve of those companies appeared to be using the debit network to collect payments. With that action, DFS has sent cease-and-desist letters to a total of 55 online payday loan companies, more than half of which have represented to DFS that they have stopped lending to New York consumers.

In June 2014, Governor Cuomo announced that Bank of America was the first financial institution to agree to use a database developed by DFS to serve as a due diligence tool to help banks identify and stop illegal, online payday lending in New York. The database includes companies identified by the ongoing, two year-long investigation as having made illegal payday loans over the Internet to New Yorkers. Bank of America planned to use the information to help confirm that its 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. DFS has also continued to update the database of payday lenders as appropriate and to solicit additional bank partners. On November 13, 2014, Governor Cuomo announced that Citibank, JPMorgan Chase, M&T Bank, and Valley National Bank have also agreed to use the DFS payday lender database.

Payday Loan “Lead Generators”

In 2014, DFS continued its investigation into payday loan “lead generators”, which it began in late 2013 as part of its comprehensive approach toward ending illegal payday lending in New York. DFS believes that these firms collect and sell loan applicants’ personal information to illegal online payday lenders and other entities, including scam artists.

Payday Debt Collection Investigation

As part of its efforts to protect New York consumers from the harms of payday lending, DFS commenced an investigation into the collection of payday loan debts. On November 21, 2014, DFS sent subpoenas to 7 debt collectors suspected of collecting on payday loan debts in the state. Under New York law, usurious payday loans are void and unenforceable, and it is illegal to attempt to collect on payday loan debt. It is also illegal under the federal Fair Debt Collection Practices Act to attempt to collect on debts that are unenforceable under state law. DFS is investigating the debt collectors to determine whether they have attempted to collect on payday loan debts, whether they harassed New York consumers, and whether they made false representations to credit reporting agencies about New York consumers’ debts, among other potential misconduct. The Financial Services Law provides DFS with the authority to levy civil penalties, after notice and a hearing, for violations of state or federal fair debt collection practices laws as well as violations of the Financial Services Law.

Investors Behind Payday Lenders

On December 30, 2014, DFS served a document subpoena upon a Medley Opportunity Fund, part of the Medley Capital Corporation, now a publicly traded investment company, which was originally founded by the late Richard Medley as a socially conscious investment entity. The subpoena requests documents and information regarding Medley’s payday-lending-related activities.

Litigation

On August 21, 2013, two allegedly federally recognized Native American tribes, their wholly-owned loan corporations to which DFS had sent cease-and-desist letters, and the tribes’ regulatory agencies sued DFS and the Superintendent in his official capacity in the United States District Court for the Southern District of New York. The complaint alleged that the State had violated the Indian Commerce Clause and infringed upon plaintiffs’ sovereign rights, and sought to permanently enjoin the State from interfering with plaintiffs’ lending activities. On September 30, 2013, Judge Richard Sullivan denied plaintiffs’ motion for a preliminary injunction. The Court’s decision affirmed the state’s authority to protect New York consumers from usurious online payday loans, including those made by tribal lenders in and to New York from beyond the state’s borders.

On October 4, 2013, plaintiffs filed notice of their interlocutory appeal of Judge Sullivan’s decision to the United States Court of Appeals for the Second Circuit. On this expedited appeal, plaintiffs asserted that the District Court erred in denying their preliminary injunction motion because the court failed to balance tribal, federal, and state interests in determining whether the plaintiffs were likely to succeed on the merits. Second Circuit Judges Gerard E. Lynch, Raymond J. Lohier, Jr., and Robert D. Sack heard oral argument on the appeal on December 5, 2013.

On October 1, 2014, the Second Circuit issued a decision affirming Judge Sullivan’s denial of plaintiffs’ motion for a preliminary injunction. The Second Circuit held that the district court had reasonably concluded that plaintiffs had failed to establish a likelihood of success on the merits. On

November 2, 2014, Judge Sullivan so ordered plaintiff's notice to voluntarily dismiss the complaint with prejudice.

Force-Placed Insurance

Force-placed insurance is insurance purchased by a bank or mortgage servicer when a homeowner's property insurance coverage lapses, is cancelled, or does not comply with the homeowner's mortgage. The insurance is typically far more expensive than the coverage purchased by a homeowner, yet often provides less protection for the homeowner while protecting the lender's or investor's interest in the property. DFS conducted an investigation of the force-placed insurance industry that found that the rates for force-placed insurance bore little relation to insurers' actual loss experience, resulting in high profits, a portion of which insurers commonly passed on to mortgage servicers and their affiliates through commissions, other payments, and reinsurance arrangements, to the detriment of homeowners and investors.

In 2013, DFS entered into agreements with every admitted insurance carrier writing force-placed insurance in New York. The agreements included a total of \$25 million in penalties, a set of nation-leading reforms, and restitution for homeowners who were harmed. DFS also issued proposed regulations to ensure that the DFS force-placed insurance reforms cover any company—present or future—that decides to offer force-placed insurance in New York.

DFS reviewed comments concerning the proposed regulation and issued a revised force-placed insurance regulation that was published in the October 15, 2014 New York State Register, and adopted a final regulation on December 19, 2014 that was published in the January 7, 2015 New York State Register. The regulation requires insurers to:

- File with DFS force-placed premium rates with a permissible loss ratio of 62 percent, supported by credible data and an actuarial analysis that is acceptable to DFS. This will substantially reduce premiums;
- Re-file their rates with DFS for review every 3 years thereafter;
- Re-file their rates sooner than every three years if the companies' actual loss ratio for any preceding year dips below 40 percent; and
- Report their actual loss ratio, earned premiums, itemized expenses, losses, and reserves to DFS annually.

The final regulation prohibits insurers from:

- Issuing any force-placed insurance on mortgaged properties serviced by a bank or servicer affiliated with the insurer;
- Sharing force-placed insurance premiums or force-placed insurance risk with the servicer that obtained the force-placed insurer or an affiliate of such servicer; and
- Compensating, directly or indirectly, an insurance agent that acts in the adjustment of a loss for force-placed insurance, or an independent adjuster that acts in the adjustment of a loss for force-placed insurance, based on underwriting profitability or loss ratio.

Further, the final regulation prohibits insurers, insurance producers, and their affiliates from:

- Compensating a servicer or an affiliate of a servicer with respect to force-placed insurance on residential real property being serviced by the servicer;
- Making any other payments to a servicer in connection with securing force-placed insurance business; and
- Providing insurance tracking to a servicer or a person or entity affiliated with a servicer for a reduced fee or no separately identifiable charge.

The final regulation also requires insurers, insurance producers and their affiliates to provide improved notices and disclosures to homeowners.

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 has 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. DFS sent letters, pursuant to Section 308 of the Insurance Law, to all licensed title insurers in New York and served subpoenas on a representative sampling of title agents, requesting documents and information relating to expenses incurred in connection with the work performed by the insurers and agents prior to the issuance of title insurance policies. DFS specifically sought a breakdown of certain expenses that are reported to DFS in annual statistical reports in broad categories but with no details as to particular expenditures. DFS also requested information concerning ancillary searches and services performed in connection with the issuance of title insurance policies and charged to consumers at large markups.

In December 2013, DFS held a public non-adjudicatory hearing where TIRSA, five insurers, seven agents and two experts testified. The insurers and agents were questioned regarding information that was 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. Those methods are not uniform among insurers, although the amount that is allocated impacts the rates charged in 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.

In 2014, DFS drafted proposed regulations delineating what expenditures may not be made with premium dollars because they violate the anti-inducement prohibition in the Insurance Law and the proper method for allocating non-New York expenses to New York. The proposed regulations will also provide guidelines concerning proper charges for ancillary searches and services. DFS expects to issue the proposed regulations early in 2015.

Condor Capital Corporation

In late 2013, DFS received a whistleblower letter concerning Condor Capital Corporation (Condor), a sales finance company based on Long Island that acquired and serviced “subprime” automobile loans to customers in New York and more than two dozen other states. “Subprime” or “nonprime” loans are made to customers who lack adequate credit or resources to borrow from a “prime” or “near-prime” lender. Subprime customers are particularly vulnerable to harm from unsound lending and business practices because of their economic circumstances. The whistleblower letter alleged, among other misconduct, that Condor was retaining positive consumer account balances and that the company did not take steps to protect private consumer information.

DFS commenced an investigation and conducted an unannounced exam of Condor in the fourth quarter of 2013 and also conducted a previously-scheduled exam in January 2014. Through the exams, DFS confirmed that Condor systematically hid from its customers the fact that they had refundable positive credit balances. A positive credit balance is money owed to a customer as a result of an overpayment of the customer’s account that could occur for a number of reasons. Rather than notifying customers of positive credit balances and promptly making refunds, Condor hid the existence of the credit balances and retained them for itself. Indeed, Condor maintained a policy of refusing to make refunds except when expressly requested by a customer. The investigation further uncovered that Condor endangered the security of its customers’ personally identifiable information by, among other practices, leaving stacks of customer loan files lying around the common areas of Condor’s offices.

On April 23, 2014, DFS filed a complaint in the United States District Court for the Southern District of New York and obtained a temporary restraining order against Condor and its owner, Stephen Baron. The DFS proceeding also sought restitution for Condor consumers, the appointment of a receiver to wind down Condor’s operations, and other remedies. The proceeding 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). Section 1042 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. On May 13, 2014, the Court granted the motion for a preliminary injunction and appointed a receiver. The receiver found violations of the Truth in Lending Act (TILA) with respect to interest charged to consumers. The receiver further found that Condor’s law violations impacted the vast majority of Condor’s customers over the eighteen years the company has operated.

DFS reached a settlement with the defendants and, on December 22, 2014, 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.

Regulation of Debt Collectors

In 2013, DFS published for comment regulations that would set consumer protection standards for debt collectors operating in New York. Through 2014, DFS met with consumer advocates and representatives from the debt collection industry to shape and amend the rules and collected public comment on two proposed versions of the regulations. On November 14, 2014, DFS adopted the nation-leading regulations, which will 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; as well as address other widespread abuses in the debt collection industry. Adoption of the regulations marks the first new consumer product or service regulated pursuant to the expanded consumer protection mandate in the Financial Services Law.

ALICO Investigation

In 2012, DFS began investigating whether American Life Insurance Co. (ALICO) and Delaware American Life Insurance Co. (DelAm), subsidiaries of MetLife, Inc., had been conducting insurance business in New York over an extended period of time without a New York license in violation of Insurance Law Sections 1102, 2102 and 2117. DFS also investigated whether the entities, while operating as subsidiaries of AIG, Inc., made certain misrepresentations and omissions concerning their business activities in New York to DFS and other governmental agencies.

MetLife purchased ALICO and DelAm from AIG for \$16 billion in November 2010.

On March 31, 2014, after extensive negotiations with the Department, MetLife, ALICO and DelAm entered into a Consent Order that required MetLife to take immediate steps to come into compliance with the New York Insurance Law. The agreement requires licensing by DFS of the insurers and agents operating out of New York. ALICO and DelAm will be prohibited from, among other activities, underwriting, binding, or negotiating the terms or conditions of any insurance policy, contract or advertising in New York on behalf of alien or foreign insurers while they work to come into compliance with the New York Insurance Law. In addition, the Consent Order provided for a \$50 million fine for the companies' violations of the Insurance Law in connection with conducting insurance business in New York without a New York license. Also in March, DFS issued a further subpoena to AIG in connection with its role in ALICO's alleged law violations.

On April 3, 2014, AIG filed suit against DFS and Benjamin M. Lawskey, in his official capacity as Superintendent of Financial Services. AIG sought a declaratory judgment that the New York Insurance Law's licensing requirements were unconstitutional as applied to AIG with respect to the ALICO conduct set out in the Consent Order. AIG also sought preliminary and permanent injunctive relief prohibiting DFS from commencing or continuing any proceeding (administrative or otherwise) or imposing any penalty (monetary or otherwise) against AIG due to ALICO's failure to obtain a New York license. On May 16, 2014, DFS and the Superintendent, through their counsel the New York State Attorney General's office, moved to dismiss the Complaint. Following AIG's filing of an Amended Complaint dated June 3, 2014 that dropped DFS as a defendant and alleged that two additional sections of the Insurance Law were unconstitutional as applied to AIG, DFS moved again to dismiss the Amended Complaint on June 20, 2014.

On October 31, 2014, AIG entered in to a Consent Order that provided for a \$35 million fine for its violations of the Insurance Law in connection with conducting insurance business in New York without a New York license. AIG also submitted a voluntary notice of dismissal with prejudice in connection with the litigation. Finally, DFS is working to amend the Insurance Law to provide for a narrow exception to Section 2117 under very limited circumstances involving multinational companies.

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 13 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 fees to connect distressed student loan borrowers to free federal government student debt relief programs. SPU is continuing to investigate the student debt relief industry.

In March 2014, SPU launched a "Student Lending Resource Center" on the DFS webpage, available at www.dfs.ny.gov/studentprotection. 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.

Storm Sandy Investigation

Narragansett Bay Insurance Company

On May 22, 2014, DFS entered into a Consent Order with Narragansett Bay Insurance Company based on Narragansett's failure to perform numerous adjuster inspections of damage related to Superstorm Sandy in the time frames required by law and regulation. Narragansett agreed to pay a \$327,400 penalty for failing to perform timely inspections and to improve its systems and procedures to ensure that it can successfully process New York policyholders' catastrophe claims within the legally required time frames.

Tri-State Consumer Insurance Company

Tri-State is a licensed domestic insurer that provides auto and homeowners insurance to New York consumers.

In 2013, DFS initiated an investigation into whether Tri-State had improperly refused to participate in good faith in a mediation program as required by an emergency regulation DFS adopted to expedite claims disputes arising from Storm Sandy. The regulation directed insurers to offer and pay for mediation for policyholders who had claims for loss or damage to real or personal property, other than damage to a motor vehicle, in Sandy-affected areas between October 26, 2012 and November 15, 2012. If policyholders were dissatisfied with the denial of a claim or disputed a settlement offer by their insurers, the policyholders could opt for mediation. Insurers were then required to participate in mediation unless they had a reasonable suspicion or knowledge that the claim was based on a fraudulent transaction. DFS investigated whether Tri-State had abused the mediation process by making dozens of baseless assertions of fraud in an attempt to avoid mediation. DFS also investigated other areas of potential misconduct by Tri-State with regard to Storm Sandy victims. In late 2014, DFS began negotiating a settlement with Tri-State and drafted a consent order. The investigation is ongoing.

Online Livery Investigation

DFS has been monitoring and meeting with companies involved in the “sharing-economy” to ensure that insurance offered in connection with these 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 Lyft in New York Supreme Court alleging violations of, among other laws, the Insurance Law, Financial Services Law, Executive Law, Business Corporation Law, General Business Law and Vehicle and Traffic Law. 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 remainder of the case is ongoing.

DFS is also exploring potential legislative solutions that would allow online livery programs to operate legally in New York with adequate consumer protections.

Pension Lending Investigation

Prompted by media reports about high-interest loans taken out by pensioners, DFS launched an investigation into pension lending. These companies solicit pensioners over the internet, seeking pensioners who will “sell” their pensions in exchange for lump sums. The investigation into this lending practice focuses on potential violations of civil and criminal usury laws, unlawful solicitation of pensioners, lending without a license, and unfair, deceptive, and abusive acts and practices.

DFS subpoenaed 12 pension lending companies, several of which were marketing vehicles for the 3 main pension lending companies. DFS also entered into a Common Interest Agreement with the Consumer Financial Protection Bureau, which has taken the lead role on the investigation of two of the main companies. DFS is currently reviewing document production and analyzing data produced by the third major pension lender. The investigation is ongoing.

AXA Equitable Settlement

DFS resolved a nearly two-year investigation of certain variable annuity products of AXA Equitable Life Insurance Company. In 2009, 2010, and 2011, AXA filed requests with DFS and its predecessor agency to amend and restate the Plans of Operation for certain variable annuity accounts in order to implement its AXA Tactical Manager strategy (ATM Strategy). The changes effectively altered the nature of the variable annuity product that policyholders had purchased, yet AXA did not explain in its filings to DFS that it was making such changes to its variable annuity products. The absence of detail and discussion in the filings regarding the significance of the implementation of the ATM Strategy had the effect of misleading DFS regarding the scope and potential effects of the ATM Strategy on the relevant funds and the possible consequences for policyholders.

On March 17, 2014, after extensive negotiations, AXA Equitable entered into a Consent Order with DFS that provided for a \$20 million fine for its violations of the Insurance Law and injunctive relief for AXA’s violations of the Insurance Law concerning the implementation of the ATM Strategy.

Automobile Pricing Investigation

In 2014, DFS launched an investigation into auto insurance rates that insurance companies charge to consumers who insure their cars for personal use. The investigation stems from a survey released by the New York Public Interest Research Group (NYPIRG), which alleged that three of the four top auto insurance companies in New York were using non-driving related factors -- specifically education and occupation -- in determining rates for drivers, and that use of such factors discriminates against many low- and moderate-income workers. According to NYPIRG, the use of education and occupation has resulted in blue-collar workers with high school diplomas paying higher insurance rates than individuals with advanced degrees and high-ranking positions.

In May 2014, DFS sent Section 308 letters to eleven major auto insurance companies in New York, requesting documentation as to whether they use education or occupation in rating and, if so, the data that supports the use of those factors. DFS subsequently requested additional information and documents from four of the eleven insurers who use education and/or occupation in setting rates. The investigation is ongoing.

Century Coverage Corporation

In a complaint dated September 25, 2013, the New York Attorney General alleged that William Rapfogel, former executive director of the Metropolitan New York Council on Jewish Poverty (Met Council), and Joseph Ross, the owner of Century Coverage Corporation (Century), an insurance brokerage regulated by DFS, stole in excess of \$5 million from Met Council, much of which is taxpayer money. According to the complaint, Century sent inflated invoices to Met Council, and Messrs. Ross and Rapfogel, along with another conspirator, then split the excess proceeds. Messrs. Ross and Rapfogel were charged with receiving at least \$1 million each. On or about December 11, 2013, Mr. Ross pled guilty to first degree grand larceny, first degree money laundering and third-degree tax fraud. The crimes to which Mr. Ross pleaded guilty carry a maximum sentence of 25 years in prison. In addition, Mr. Ross agreed to voluntarily surrender his insurance broker's license and not apply for renewal for a period of five years.

After DFS reviewed and analyzed numerous proposals by Century to sell its insurance business as well as its real property in order to pay restitution to Met Council, DFS approved the sale of Century's insurance business to P&G Insurance, an insurance brokerage regulated by DFS. The deal closed on Thursday, June 26, 2014.

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 Department regulations. There are currently more than 280,000 licensees in New York. Licensees include producers (agents and brokers), limited lines producers, independent and public adjusters, reinsurance intermediaries, bail bond agents, and viatical 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 unlicensed activity is occurring and, if necessary, takes steps to ensure that individuals or entities either achieve compliance or cease activities.

The Omnibus Crime Bill of 1994 disqualifies from employment in the insurance industry anyone convicted of a criminal felony involving dishonesty or a breach of trust. This ban, however, may be removed if approval for written consent to engage in the business of insurance pursuant to 18 U.S.C. §§1033 and 1034 is given by the Superintendent. The Unit also reviews all such applications for written consent.

When a violation of the Insurance Law is proven, an administrative sanction may be imposed resulting in license revocation or suspension, the denial of pending applications, or monetary penalties imposed with corrective actions to address violations.

In 2014, DFS entered into approximately 250 stipulations imposing penalties on insurance companies or producers (i.e., agents or brokers). In addition, eighteen licenses were revoked after administrative hearing, thirty-six licenses were surrendered with the full force and effect of revocation, and five 1033 waivers were approved and four were denied.

Stipulations in 2014

| Type of Action | Total Requested | Total Completed | Fine Amount |
|----------------|-----------------|-----------------|-------------|
| Agent/ Broker | 215 | 209 | \$747,100 |
| Company | 49 | 45 | \$1,673,550 |
| Total | 274 | 250 | \$2,153,150 |

Hearings in 2014

| | Requested | Held | Pending | | | |
|----------------------------|-----------|------|---------|--|--|--|
| Agent/Broker/ Applicant | 46 | 28 | 18 | | | |

CRIMINAL INVESTIGATIONS AND ENFORCEMENT ACTIVITIES

Banking Criminal Investigations Bureau (CIB)

Highlights of 2014

Court-ordered restitution resulting from CIB's investigations totaled over \$31.5 million.

The Mortgage Fraud Unit's investigations resulted in 29 arrests involving more than \$22.8 million in losses to victimized homeowners and financial institutions.

CIB conducted 54 investigations, which resulted in 17 convictions.

14 new cases were opened for investigation.

Background

The CIB investigates all 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 was delegated the responsibility to review 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.

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 as well as 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) within CIB was created to combat mortgage fraud by providing investigative expertise and support to regulatory and law enforcement agencies. The MFU's three-fold mission is to investigate mortgage fraud cases throughout the 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. The MFU is a member of several federal mortgage fraud task forces and its staff has provided expert testimony at trial and in grand jury proceedings. Since its inception in April 2007, the MFU has participated in investigations that have culminated in charges against more than 264 individuals and involved in excess of \$560.3 million in losses to victimized homeowners and financial institutions. In 2014, mortgage fraud investigations resulted in 29 arrests and 17 convictions in cases involving more than \$22.8 million in losses to victimized homeowners and financial institutions.

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 seventh Mortgage Fraud Forum in 2014. The Forum highlighted recent mortgage fraud trends,

including loan modification and foreclosure rescue scams, and state and federal investigations and prosecutions.

Major Mortgage Fraud Investigations During 2014

- **Attorney Sentenced in \$6 Million Fraudulent Mortgage Loan Conspiracy.** In March, an attorney admitted to practice law in New York was sentenced for his participation in a mortgage fraud scheme involving more than \$6 million worth of fraudulent loans. He and his co-conspirators sought and obtained home mortgage loans using straw buyers for homes at values that were well in excess of the prices at which the sellers agreed to sell the properties and well in excess of the prices at which the properties were actually sold. Through their scheme, the defendants obtained mortgage loans under false and fraudulent pretenses with a total face value of over \$6 million. All of the loans ended in default and/or foreclosure. The attorney was sentenced to 6 months home confinement, 3 years of supervisory release, and forfeiture of \$175,000. The investigation was conducted jointly with the FBI, and was prosecuted by the United States Attorney's Office for the Southern District of New York.
- **Defendant Sentenced to 36 Months.** In March, a man was sentenced to 36 months incarceration and ordered to pay restitution in the amount of \$792,973.03 for his participation in a mortgage fraud scheme using out of state straw buyers. The joint investigation was conducted by CIB and the FBI and prosecuted by the United States Attorney's Office for the Eastern District of New York.
- **Two Attorneys Indicted in \$1 Million Short Sale Mortgage Fraud Scheme.** Two attorneys were charged in April in a mortgage fraud scheme in which Queens homeowners, financial institutions and real estate buyers were defrauded out of more than \$1 million. CIB conducted the initial investigations and referred the matter to the Queens County District Attorney for prosecution.
- **Long Island Mortgage Banker and Five Others Indicted on \$30 Million Fraud.** The United States Attorney for the Eastern District of New York announced the indictment of six individuals in May. The six men were charged with carrying out a \$30 million mortgage fraud conspiracy by fraudulently inflating the prices of homes for sale in Nassau and Suffolk Counties and then obtaining mortgages that far exceeded the true collateral value of properties. The investigation was conducted jointly with the FBI.
- **Two Charged In Connection With Scheme To Defraud Potential Home Buyers.** In June, two Long Island men were arrested for perpetrating a scheme to defraud aspiring home owners who had poor credit and could not qualify for traditional mortgages. Through a company called CIG Realty, the defendants promised to help financially struggling individuals purchase homes by providing private financing for the purchases in exchange for small deposits or down payments. The customers were then supposed to repay CIG Realty until the customers' credit had improved to the point where they could obtain mortgages from banks. Contrary to the defendants' representations, however, CIG Realty did not purchase homes for customers and instead diverted most of the customers' deposits into the personal accounts of one of the defendants. Through their scheme, CIG Realty obtained at least approximately \$800,000 from more than 100 potential home buyers throughout the United States. CIB provided valuable assistance to the FBI in the investigation.
- **Final Defendant Sentenced in Massive Mortgage Fraud Scheme.** A man was sentenced in December to one year and a day, three years supervised release, and ordered to pay more than

\$2.8 million in court ordered restitution and \$18 million in forfeiture. The defendant and his co-conspirators purchased dozens of residential properties throughout New York City and Long Island with fraudulent mortgages. The mortgages, which amounted to 100 percent of the purchase price of the residences, were obtained using names of fictitious individuals or individuals whose identification information was misappropriated or misused. The case was referred by CIB to the Crimes Proceeds Task Force (CPTF) at the New York Attorney General's Office. After referring the case to the CPTF, CIB provided extensive investigative resources and assistance to the CPTF.

Major Financial Fraud Investigations During 2014

- **Indictment Returned on International Bribery Scheme.** In April, a Federal Grand Jury sitting in the Southern District of New York returned an indictment charging the CEO and managing partner of Direct Access Partners, LLC with Conspiracy to Violate the Foreign Corrupt Practices Act, violation of the Foreign Corrupt Practices Act, violation of the Travel Act, Conspiracy to Commit Money Laundering and Money Laundering. The defendants are alleged to have engaged in a bribery scheme in which they bribed an agent of a foreign corporation in exchange for the foreign corporation's business. CIB provided valuable assistance to the FBI on the investigation.
- **Bronx Fraudster Pleads Guilty In Multi-Million Dollar Ponzi Scheme.** The owner of a tax preparation business plead guilty in November to securities fraud, grand larceny and scheme to defraud stemming from his involvement in a multi-million dollar Ponzi scheme. He owned and the Van Zandt Agency, a well-known tax preparation business in the Bronx. Starting in 2007, the owner began accepting investments from tax preparation clients who in many cases handed over their entire life savings. Their money, however, was not invested as promised instead was used to pay previous investors or diverted for personal expenditures. The scheme fraudulently raised more than \$4.8 million from 29 investors. CIB provided critical financial analytical and investigative assistance to the Office of the Attorney General on the investigation and prosecution of the case.
- **Kentucky Businessman Pleads Guilty To \$53 Million Tax Scheme and Massive Fraud Involving Bribery of Bank Officials.** In late December, a businessman from Kentucky plead guilty to various tax crimes and fraud that involved the bribery of bank officials, the fraudulent purchase of an insurance company and defrauding of insurance regulators. The businessman controlled numerous companies located throughout the United States that he used to orchestrate a \$53 million fraud on the IRS as well as other illegal schemes. He installed managers to conceal his control of the companies and stole monies intended for the IRS that were paid by his companies' clients. The businessman also maintained a corrupt relationship with Park Avenue Bank and its executives. He and his co-conspirators at the bank engaged in a series of deceptive financial transactions to funnel \$6.5 million to the bank president through accounts the businessman controlled. He and the co-conspirators also devised a scheme to purchase an insurance company by using the company's own assets as collateral for the purchase. CIB conducted the initial investigation and referred the matter to the United States Attorney's Office for the Southern District of New York, after which CIB provided invaluable investigative resources and assistance to the S.D.N.Y.

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 ATM users by establishing minimum security measures at ATM locations. The ATM Inspection Unit, within DFS, 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 2014, there were 5,280 ATMs under the ownership of banking institutions and, thus, subject to the security provisions of the Act.

In July of 2013, Governor Cuomo signed into law an amendment to the Act, which requires every banking institution that maintains ATM facilities in New York State to submit letters electronically twice a year certifying that the ATM facilities under their control are in compliance with the Act.

During 2014, the ATM Inspection Unit of CIB conducted 5,775 inspections and issued 1,118 notices of violations.

Mortgage Loan Originator Licensing Support

CIB provides critical support to the Mortgage Banking Unit's efforts to comply with the federal SAFE Act. Under the SAFE Act, states were encouraged to increase uniformity, enhance consumer protection and reduce mortgage fraud through 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 2014, CIB investigators reviewed 522 criminal history reports related to mortgage loan originator applications filed with the State.

CIB Task Force/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

HIFCA(High Intensity Financial Crime Area)-El Dorado 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 2014

- Bureau investigations led to \$15.5 million in Court-ordered restitution
- Investigations conducted by Bureau staff resulted in 303 arrests, of which 77 were for health care fraud
- 443 new cases were opened for investigation
- Prosecutors obtained 684 convictions in cases in which the Bureau was involved, up from 385 in 2013
- The Bureau received 24,758 reports of suspected fraud, an increase of approximately 9% from 2013
- Of the fraud reports received, 15,439 reports were for suspected no-fault fraud, accounting for 62% of all fraud reports

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 six offices in Mineola, Albany, Syracuse, Oneonta, Rochester and Buffalo.

Operations and Activities

Below is a summary of the Bureau's investigative and collaborative efforts.

Reports of Suspected Fraud/Investigations

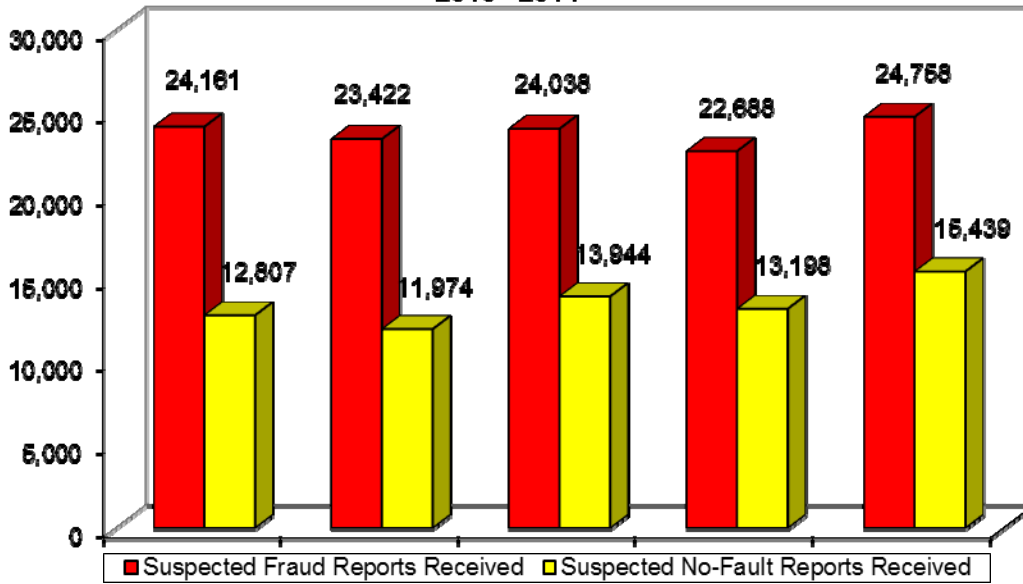
The Bureau received 24,758 reports of suspected fraud in 2014. The vast majority of those reports — 23,966 — were from licensees required to submit such reports to the Department; the remaining reports were from other sources, such as consumers and anonymous tips. The Bureau opened 443 new cases for investigation during the past year. Tables showing the number of fraud reports received, investigations opened, and arrests by type of fraud appear in the Appendices.

During 2014, the Bureau referred 233 cases to prosecutorial agencies for prosecution. Prosecutors obtained 684 convictions in Bureau cases.

No-Fault Fraud Reports and Investigations

The number of suspected no-fault fraud reports received by the Bureau increased by approximately 17% from 2013 to 2014, accounting for 62% of all fraud reports received by the Bureau in 2014.

**Number of Suspected Fraud Reports Received Compared with
Number of Suspected No-Fault Reports Received
2010 - 2014**



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 with ongoing investigations.

Arrests

Insurance Frauds Bureau investigations led to 303 arrests for insurance fraud and related crimes during 2014.

Restitution

Criminal investigations conducted by the Bureau resulted in \$15.5 million in court-ordered restitution in 2014.

Multi-Agency Investigations

In 2014, the Bureau conducted numerous multi-agency investigations with the following:

- New York Police Department’s (NYPD) Fraudulent Accident Investigation Squad (FAIS) and Auto Crime Division
- Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
- Fire Department of New York’s (FDNY) Bureau of Fire Investigations
- Workers’ Compensation Board’s Office of the Fraud Inspector General
- State Insurance Fund
- District Attorney’s Offices

- U.S. Attorney's Office
- New York State Attorney General's Office
- New York State Department of Motor Vehicles
- U.S. Postal Inspection Service
- Federal Bureau of Investigation (FBI)
- U.S. Department of Health and Human Services

Task Force/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
- Monroe County Auto Crime Task Force
- 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
- Motor Vehicle Theft and Insurance Fraud Prevention Board
- High Intensity Drug Trafficking Area
- High Intensity Financial Crimes Area
- New York State Banking Department Mortgage Fraud Working Group
- Drug Enforcement Administration Tactical Diversion Task Force (Upstate/Downstate)
- Suffolk County District Attorney's Office Insurance Crime Bureau

2014 Highlights from Task Force Participation:

- An investigation by the Rochester Health Care Fraud Working Group led to a plea agreement between the owner/operator of an upstate medical imaging center and the Office of the U.S. Attorney for the Western District of New York in which the owner/operator plead to health care fraud. He was accused of fraudulently billing for imaging procedures that were not prescribed in the amount of more than \$1 million.
- The Bureau's work within the DEA Tactical Diversion Task Force helped to secure 36 arrests in 2014. One investigation led to the indictment of 11 defendants, including a licensed physician, for their participation in a drug distribution ring that resulted in the unlawful distribution of nearly 1.2 million oxycodone tablets intended for sale on the streets of New York.

- Based on information developed by the Bureau in conjunction with the High Intensity Drug Trafficking Area program, three defendants were arrested for their involvement in a check-cashing scheme that resulted in the loss of approximately \$99,000 to numerous check-cashing facilities in New York.

Collection of Rate Evasion Data

DFS collected data from insurers that write personal lines insurance showing the number of instances in which individuals misrepresented the principal location where their vehicles were garaged and/or driven to obtain lower premiums in 2014. A summary of the data appears in the Appendices under the Section titled “2014 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) discuss 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
- The rationale 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, 2014 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 the life insurance policy sells the policy for an immediate cash benefit. The life settlement provider becomes the new owner of the life insurance policy, pays future premiums, and collects the death benefit when the insured dies.

The life settlement industry in New York became regulated by DFS after the Life Settlement Act was signed into law in 2009. The Act provides a comprehensive regulatory framework including consumer protections. The law also creates the crimes 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. They are also required by Section 411(e) to submit an annual report by March 15 of each year, describing 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, 2014. A complete list of licensed life settlement providers with approved Plans on file appears in the Appendices.

Major Insurance Fraud Cases During 2014

- In January 2012, the State Insurance Fund cancelled the workers' compensation policy of a bicycle messenger service in Manhattan for nonpayment of premiums. Later that year, to avoid paying premiums owed, the owner and president of the company allegedly asked a friend to pose as president of the company and apply to the Fund for insurance for a new company while the owner ran the business. The Bureau's investigation led to the owner's arrest.
- An investigation by the Bureau led to the February arrest of a downstate business owner who was charged with violation of the Workers' Compensation Law and related crimes after he submitted documents to the State Insurance Fund that contained materially false information. In response to a Fund audit, he had reported that sales and payroll for his company totaled \$351,929.00, however, evidence indicated that his sales and payroll actually totaled \$1,029,316. As a result of the fraud, the business owner avoided paying \$66,599 in premiums for workers' compensation coverage.
- An upstate roofer and his son pleaded guilty in May to grand larceny and other crimes in connection with a scheme to defraud unsuspecting homeowners. From August 2011 to late 2013, the roofer solicited customers throughout the Capital Region and the Mohawk Valley despite being prohibited from such activities since 2003. He informed prospective customers that his company was fully insured when, in fact, he had filed for and received an exemption from the requirement to carry workers' compensation insurance by falsely claiming he had no employees. He and his son, who worked at the company, provided a forged liability insurance certificate to homeowners as proof of the nonexistent coverage. After contracts were signed and he received payment, the roofer failed to complete many jobs or did no work at all. He was sentenced to 3-to-9 years in prison and ordered to pay \$26,000 in restitution. His son pleaded guilty to offering a false instrument for filing (providing the forged liability insurance certificate to homeowners) and was sentenced to three years' probation. The investigation was conducted by the New York State Attorney General's Office with the assistance of the Bureau.
- A former New York licensed insurance agent was sentenced in November to 30 months in federal prison and ordered to pay \$30,000 in restitution. He had been arrested in May and pleaded guilty to mail fraud. The former agent submitted numerous premium finance agreements and used the names of individuals who had contacted his agency to obtain quotes for commercial auto insurance policies without their consent. He prepared the documents, forged the names of the individuals and submitted them electronically or by U.S. mail to the premium finance companies. He then prepared bank drafts in his name for the amounts of the premium finance loans and deposited the checks in his personal account. He also failed to submit paperwork to any insurance companies as reported in the premium finance agreements, nor did he pay any insurance premiums for the agreements. The investigation was conducted by the Bureau and the United States Postal Service Office of the Inspector General.
- A man posing as a licensed physician was arrested in November and charged with insurance fraud and criminal impersonation. At a Workers' Compensation Board hearing, the claimant's

attorney called on a doctor he had used as a witness in the past to testify on behalf of the claimant. When Chubb, the insurer involved in the case checked into the witness's background, there was no record of his having been licensed as a physician in New York State. An investigation conducted by the Bureau, the National Insurance Crime Bureau and the NYPD's Fraudulent Accident Investigation Squad revealed that he was not licensed but was using the Tax Identification Number of a legitimate doctor without that doctor's knowledge or consent of that doctor.

- A Queens man was arrested and charged with grand larceny, insurance fraud and falsifying business records. After the man's brother was hospitalized in Ireland in 2010, the defendant was given Power of Attorney over his brother's affairs. His niece, the daughter of the ill brother, later had her uncle removed, was granted Power of Attorney, and subsequently discovered discrepancies in her father's bank account. She reported her findings to the Queens District Attorney's office who informed the State Insurance Fund. The Fund filed a report of suspected fraud with the Bureau. A joint investigation by the Bureau and the Queens DA's Office revealed that over the course of 4 and 1/2 years, the defendant had withdrawn \$45,459.80 from his brother's account without permission or authority.
- A taxi driver was arrested in October for violation of the Workers' Compensation Law and related crimes. In 2008, he had reported a work-related injury to his neck and filed for workers' compensation benefits. An investigation conducted by the Bureau and Hereford Insurance Company uncovered evidence that the defendant was already collecting workers' compensation benefits from a prior on-the-job injury and had not reported that he had returned to work as a taxi driver, using an alias. As a result of the fraud, Hereford paid out \$22,705 in benefits.
- A Brooklyn man was arrested and charged with insurance fraud in connection with an "owner give-up" case. In March 2014, he reported to the NYPD and State Farm Insurance Company that his car had been stolen and he subsequently filed a claim for the loss. A joint investigation by the Bureau and the NYPD's Auto Crime Division revealed that the man had arranged to have his car shipped to the Dominican Republic two weeks before he made the false theft report. The vehicle was later recovered in the Dominican Republic. State Farm paid out \$19,294 on the fraudulent claim.

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 assist homeowners and businesses affected by flooding, a tornado and heavy snowfall. The Department assisted consumers at 33 locations throughout the state to contact insurers if consumers had been unable to do so and to answer insurance coverage questions.

The MCC also was deployed to Manhattan's East Harlem neighborhood in March to offer assistance with insurance related questions following a gas explosion that leveled two apartment buildings.

In addition, the MCC was deployed to 21 sites statewide during 2014 to provide hands-on advice and foreclosure-prevention assistance to New York families struggling to save their homes.

THE CONSUMER ASSISTANCE UNIT (CAU)

Operations and Activities

CAU staff responsibilities include handling consumer complaints against regulated or licensed insurance companies and financial institutions under the supervision of DFS, 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 New York Complaint Information System (NYCIS) serves as CAU's work flow engine. NYCIS not only allows staff to manage their files but also 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. The recently implemented full text functionality is particularly useful when there is a need to research previous issues.

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 and 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

Improvement of processes for triaging complaints and reevaluation of staff assignments have enabled CAU to route complaints more quickly and use resources and staff more efficiently depending on the level of complexity of the issues.

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

The FSL gave the FFPCPD authority to handle additional “gap” complaints involving unregulated financial products and service providers, such as payday loans (illegal in New York), debt collectors, prepaid debit cards, financial products offered by retailers, student loans, and debt settlement complaints, among others. CAU is effectively working on training staff to handle such gap complaints, and is developing new procedures to ensure that these new complaints are processed and mediated expeditiously. FFPCPD has hired and will be recruiting and training additional DFS Consumer Representatives to work on these complaints.

Complaints and Inquiries

Insurance Complaints

CAU received 36,708 insurance complaints in 2014. The Unit processed 27,725 insurance complaints, and handled 844 insurance inquiries. Insurance complaints were closed as follows: 5,534 were upheld and/or transferred for prompt pay review; 3,671 were not upheld but adjusted; 10,036 were not upheld; and 8,484 were referrals, duplicates, withdrawn or suspended.

For approximately 27% 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 of disaster-related claims that previously had been denied.

The specific breakdown is as follows:

| Type | # of Complaints | Recovery |
|---------------------|-----------------|---------------------|
| Property & Casualty | 1,191 | \$14,935,030 |
| Service Contracts | 19 | 21,940 |
| No-Fault | 658 | 2,167,897 |
| Health | 1142 | 7,204,320 |
| Auto | 699 | 4,099,352 |
| Investigations | 30 | 215,293 |
| Life | 98 | 3,120,728 |
| Prompt Pay | 2809 | 9,039,788 |
| Total | 6,646 | \$40,804,348 |

During 2014, CAU also required insurance companies to offer reinstatement to 795 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 2014, the CAU processed an aggregate volume of 2,806 non-mortgage related complaints, referrals and inquiries, representing a 243% increase from 2013.¹ A breakdown is set out below:

| | 12/31/2014 | 12/31/2013 | Change % |
|-------------------|------------|------------|----------|
| Complaints | 2561 | 547 | 368.2 |
| Referrals | 165 | 179 | 007.8 |
| Written Inquiries | 80 | 92 | 13.04 |
| Aggregate Volume | 2806 | 818 | 243.03 |
| Phone Inquiries | 57,383 | 31,937 | 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 can 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 HMO may file for 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 appeals 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 to insure a timely decision is rendered by the External Appeal Agent and that proper notice of the decision is provided.

This table summarizes appeals received and appeals closed for 2014 and the preceding five years:

| Summary of External Appeal Applications Received by Year | | | | | | |
|--|----------|--------|------------|--------------------|---------------|------------|
| Year | Received | Closed | Ineligible | Voluntary Reversal | Denial Upheld | Overtured* |
| 2009 | 4260 | 4166 | 1783 | 350 | 1218 | 815 |
| 2010 | 4955 | 4600 | 1869 | 361 | 1430 | 940 |
| 2011 | 5469 | 5416 | 1754 | 362 | 2117 | 1183 |
| 2012 | 5796 | 5753 | 1874 | 360 | 2427 | 1092 |
| 2013 | 7868 | 7725 | 2734 | 483 | 2987 | 1521 |

¹ This number reflects closed cases. As DFS expands its into new areas permitted under its gap authority, consumers are submitting complaints concerning products and providers covered by that gap authority.

| | | | | | | |
|---|------|------|------|-----|------|------|
| 2014 | 8520 | 8296 | 2502 | 622 | 3357 | 1815 |
| Voluntary Reversals - Plan overturned its denial before the appeal was submitted to a reviewer Ineligible - 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 2014 | | | | |
|--|-------------|-------------------|--------------------|-------------------|
| Type of Denial | Total | Overturned | Overturned in Part | Upheld |
| Medical Necessity | 499944 | 1501 | 236 | 3262 |
| Experimental/Investigational | 163 | 70 | 2 | 91 |
| Clinical Trial | 2 | 1 | 0 | 1 |
| Out-of-Network | 5 | 4 | 0 | 1 |
| Rare Disease | 3 | 1 | 0 | 2 |
| Total | 5172 | 1577 (30%) | 238 (5%) | 3357 (65%) |

As part of the oversight of the External Appeal program, we review 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.

| 2014 External Appeals Rejected as Ineligible | |
|--|----------|
| Reason | Quantity |
| Applicant Withdrew Appeal | 57 |
| Contractual Issue | 198 |
| Covered benefit issue | 68 |
| CPT Code | 4 |
| Dr. Unable to complete attestation | 6 |
| Incomplete application / Failure to respond with requested information | 1124 |
| Federal Employees Health benefit program | 30 |
| Medicare | 119 |
| No internal appeal | 131 |
| Non-Par provider | 1 |
| Out of Network | 11 |
| Out-of-state contract | 45 |
| Provider ineligible to appeal | 33 |
| Reimbursement issue | 41 |
| Self-insured coverage | 364 |
| Untimely | 270 |

| | |
|-------|------|
| Total | 2502 |
|-------|------|

Outreach and Response Efforts in 2014

Storm Sandy Response: CAU received 154 complaints related to Storm Sandy disaster insurance issues. Many of the complaints concerned delays in property inspections by adjusters, delays in claims payments, and disputes over settlement amounts. CAU closed over 721 files; of those, CAU assisted 90 consumers to recover a total of \$3.4million. Since the onset of Storm Sandy, we assisted over 1000 consumers to recover a total of \$19.1 million.

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 2014, the Producer Licensing Unit issued 172,257 licenses, and collected over \$21.4 million in fees. The Producer Licensing Unit also monitors, approves and audits courses, instructors and providers for education and continuing education.

In conjunction with other DFS units, the Producer Licensing Unit developed and published a title agent application to enable licensing by September 27, 2014, the law's effective date. As of year-end, DFS had issued 1294 title agent licenses and 106 applications were pending the receipt of additional information or had been returned due to ineligibility.

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 DFS Banking Development District (BDD) program and evaluating regulated institutions' branching, investment, and merger applications for their performance records and community development objectives. Whenever possible, CEU will harmonize its examination and enforcement activities with those of the Department's 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. Although consumer compliance examinations are not required by statute, performing periodic consumer compliance reviews positively impacts both the strength of regulated financial institutions and the financial well-being of consumers.

Approaches:

- Conduct intensive on-site consumer compliance examinations of regulated institutions.
- Improve compliance by identifying deviations from bank policy and/or industry “best practices” during the examination process.
- Create written, value-added examination findings that will help bank management implement strong compliance procedures.
- Ensure that examiners are trained not only to identify routine compliance issues but also to anticipate and detect new risks that surface as emerging technologies and products are adopted.

In 2014, CEU conducted 11 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 those required for basic banking accounts, ATM security and safe deposit boxes; and bank account service charges exceeding the amounts mandated by law. CEU is following through with the institutions to address the objectionable practices. CEU also enhanced its examination inquiries to improve financial institution security of sensitive consumer data transmitted to CEU’s examination and data analysis teams and to better understand the market in the closed-end consumer loan space.

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, reviewing sub-prime loans for appropriateness, and supporting mortgage fraud investigations. Although fair lending examinations, like consumer compliance examinations, are not statutorily required, performing these examinations helps to identify and correct potentially discriminatory lending and ensures consumers that DFS is committed to protecting them against discriminatory lending practices, as outlined in Executive Law § 296-a. Accordingly, the DFS conducts a thorough and rigorous examination.

Approaches:

- Initiate fair lending examinations of mortgage brokers to address the risks inherent in a segment of the industry that presents unique and potentially problematic fair lending risks. The need for these examinations is underscored by mortgage brokers’ increasing role in the market as more and more banks exit the one-to-four family mortgage lending business.
- Coordinate with and perform examinations to ensure that all DFS-regulated lenders are held to the same fair lending standards and expectations.

- Conduct advanced analyses to determine the relationship between exotic mortgage products and economic factors that lead to foreclosures.

In 2014, CEU conducted 17 fair lending exams of 10 depository institutions and 7 non-depository institutions. The 7 non-depository examinations focused on lending by mortgage bankers and automobile finance companies. CEU also reviewed approximately 82 fair lending plans, and developed a process to better examine auto finance institutions by requesting additional credit factors such as scorecards and a description of the institution’s custom credit score criteria. The unit continued to implement its system for ensuring that all depository and non-depository institutions track the military status of their consumers, and it continued to examine for discrimination based on sexual preference. In addition, CEU now requires all depository institutions to retain Home Mortgage Disclosure Act (HMDA)-like data for all auto lending applications they receive.

CRA Examinations

CRA examinations seek to ensure that regulated institutions are providing loans, investments and services to support the economic stability, growth and/or revitalization of the communities they serve, particularly in low-and moderate-income (LMI) neighborhoods. CRA examinations further seek to ensure 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 CRA examinations, CEU enforces New York State’s CRA regulations (Part 76 of the General Regulations of the Superintendent). Through intensive on-site examinations, CEU supports banks’ efforts to comply with Part 76, and issues examination ratings and reports that must be shared with the public.

Approaches:

- Conduct on-site examinations of financial institutions’ CRA performance.
- Identify and incorporate community needs and market data, including information on distressed multifamily buildings and pre-foreclosure filings, to assess the performance of financial institutions in meeting community credit needs.
- Develop examiners’ subject matter expertise to ensure that field staff can make nuanced but critical distinctions between poor CRA performance and performance that can be reasonably explained by local economic conditions and/or competitive pressures (i.e., so called “performance context issues).
- Generate high quality examination reports that assign appropriate ratings, provide solid support for the examiners’ conclusions, treat comparable institutions in a manner that is consistent and defensible before bank management, consumer advocacy groups and other outside parties, including other banks.

In 2014, the Consumer Examination Unit conducted 28 CRA exams. CEU focused on maximizing the effectiveness of the DFS guidelines regarding bank lending to owners of multifamily affordable housing (see “Slumlord Prevention Guidelines” below). CEU drafted and implemented new exam procedures to effectuate the guidelines. The procedures earned strong support from community advocacy groups and were well received by CEU’s regulated institutions.

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 will be used to:

- Require banks to meet their responsibility to ensure their 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; and administers the Banking Development District (BDD) program. In addition, CDU leads the DFS community outreach efforts and fosters working relationships with community groups, financial institutions, municipal governments and agencies, and other regulatory agencies to ensure that residents, businesses and communities throughout New York State have access to the banking information, products and services they need.

Approaches:

Conduct research on community needs and banking services to inform the bank application process.

Contribute to the development of regulatory, policy and programmatic initiatives that involve consumer-related concerns, affect LMI areas in the State, or both.

Engage banks and community groups on select issues facing consumers and LMI communities, such as efforts to assist consumers avoid foreclosures and Storm Sandy recovery efforts.

Administer the BDD program, including reviewing annually participating banks' requests for renewal of deposits and making recommendations to the Office of the State Comptroller and financial institution applicants based on those reviews.

Build on the successes of, and work to strengthen, the BDD program to improve its effectiveness and impact on Under-banked communities, including the implementation of changes identified in the 10 Year Report.

Applications Processing

In 2014, CDU processed 45 branch applications of the following types: closings (13); branch openings – electronic facilities (15); branch openings (15); and relocations (6). In addition, the branch processed 1 specialized applications (conversion), and issued 37 approval memos and 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 15 recommendations for renewal with no reservations, one recommendation with 12-month probation, and one recommendation for renewal with six-month probation. CDU also reviewed one progress report for a BDD branch which has an initial deposit for a 4-year term.

CDU also redesigned a new application for new designation of BDDs and BDD branches and received three applications and four inquiries in 2014.

Community Outreach

CDU continued to participate in the At-Risk Multifamily Building Data Sharing Initiative with NYC Housing Preservation and Development.

CRA Quarterly Mailings

CDU completed four quarterly electronic mailings to over 100 community groups across the State.

Research and reporting

CDU began work on a study analyzing the banking trends of the unbanked in New York State, and participated in conference calls with outside entities on the subject. The report is currently underway.

Summary of Consumer Examination Unit

Consumer Examinations Summary

The Consumer Examination Unit is responsible for performing consumer compliance, fair lending and Community Reinvestment Act examinations as well as for performing community development functions. In 2014, the unit conducted 11 consumer compliance, 17 fair lending and 28 CRA exams, and made recommendations regarding 72 bank applications and 17 requests for the renewal of BDD branch deposits.

| Type of Work | 2014 | Scheduled in 2015 |
|---------------------|------|-------------------|
| Consumer Compliance | 11 | 30 |

| | | |
|-------------------------------|----|---------|
| Fair Lending (FL) | 17 | 37 |
| FL Depositories | 10 | 30 |
| FL Non-depositories | 7 | 7 |
| CRA | 28 | 24 |
| CDU - applications | 72 | unknown |
| CDU – BDD request for renewal | 17 | 18 |

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 2014, HCPO has responded to more than 14,000 inquiries and received claims from 5,083 individuals from 46 states, the District of Columbia and 39 countries. In 2014, the combined total of offers extended to HCPO claimants for bank, insurance and other asset losses is \$5,065,548. The combined total² of offers extended to HCPO claimants for bank, insurance, and other asset losses amounts to \$171,720,702 and a total of 94 cultural objects have been restituted. This represents an increase of 15 objects from the previous year.

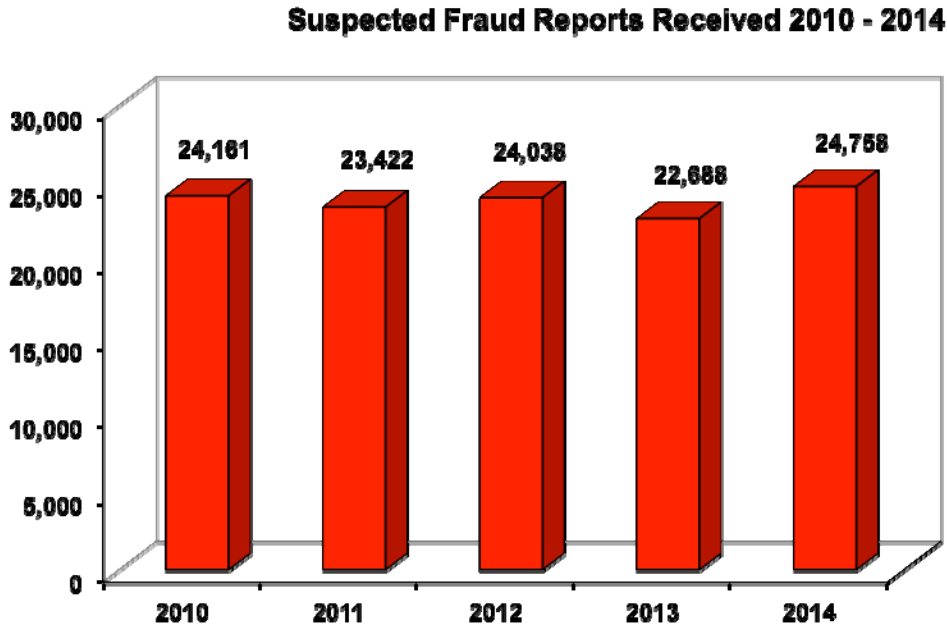
As required by Section 37-a of the Banking Law, HCPO submitted its [2014 Annual Report](#) to the Governor and Legislature on January 15, 2015. The report is available on the Department's website.

² 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 – 2014 STATISTICS

The FFCPD received 24,758 reports of suspected fraud in 2014, compared with 22,688 in 2013, an increase of approximately 9%.

Number of Suspected Fraud Reports Received



Information Furnished By (IFB) Reports Received by Year

| IFBs Received by Year | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------|--------|--------|--------|--------|--------|
| Boat Theft | 5 | 5 | 4 | 0 | 2 |
| Auto Theft | 1,084 | 922 | 877 | 751 | 693 |
| Theft From Auto | 33 | 28 | 23 | 29 | 18 |
| Auto Vandalism | 205 | 350 | 290 | 239 | 213 |
| Auto Collision Damage | 1,654 | 2,213 | 1,931 | 1,812 | 1,654 |
| Auto Fraudulent Bills | 98 | 114 | 37 | 80 | 219 |
| Auto Miscellaneous | 1,938 | 1,268 | 1,376 | 1,271 | 1,503 |
| Auto I.D. Cards | 11 | 9 | 13 | 11 | 6 |
| Total - Auto | 5,028 | 4,909 | 4,551 | 4,193 | 4,308 |
| Workers' Compensation | 1,352 | 1,584 | 1,255 | 1,014 | 998 |
| Total - Workers' Comp | 1,352 | 1,584 | 1,255 | 1,014 | 998 |
| Disability Insurance | 193 | 144 | 142 | 182 | 162 |
| Health Accident Insurance | 1,625 | 1,915 | 1,389 | 1,163 | 1,234 |
| No-Fault Insurance | 12,807 | 11,974 | 13,944 | 13,198 | 15,439 |
| Total – Medical/No-Fault | 14,625 | 14,033 | 15,475 | 14,543 | 16,835 |
| Boat Fire | 1 | 4 | 1 | 0 | 0 |
| Auto Fire | 278 | 243 | 186 | 185 | 167 |

| | | | | | |
|------------------------------|--------|--------|--------|--------|--------|
| Fire – Residential | 170 | 149 | 120 | 89 | 104 |
| Fire – Commercial | 40 | 34 | 29 | 21 | 40 |
| Total - Arson Unit | 489 | 430 | 336 | 295 | 311 |
| Burglary - Residential | 362 | 380 | 278 | 254 | 174 |
| Burglary - Commercial | 176 | 82 | 60 | 45 | 33 |
| Homeowners | 1,038 | 823 | 997 | 1,068 | 769 |
| Larceny | 33 | 36 | 65 | 79 | 77 |
| Lost Property | 108 | 219 | 108 | 109 | 172 |
| Robbery | 24 | 22 | 9 | 14 | 7 |
| Bonds | 15 | 6 | 6 | 9 | 3 |
| Life Insurance | 378 | 407 | 381 | 397 | 433 |
| Ocean Marine Insurance | 9 | 10 | 6 | 18 | 13 |
| Reinsurance | 0 | 1 | 0 | 0 | 1 |
| Appraisers/Adjusters | 8 | 11 | 5 | 5 | 8 |
| Agents | 50 | 55 | 30 | 56 | 90 |
| Brokers | 100 | 50 | 40 | 45 | 46 |
| Ins. Company Employees | 3 | 3 | 0 | 4 | 4 |
| Insurance Companies | 23 | 42 | 69 | 62 | 33 |
| Title/Mortgage | 208 | 143 | 73 | 38 | 11 |
| Commercial Damage | 70 | 81 | 68 | 103 | 77 |
| Unclassified | 62 | 95 | 226 | 337 | 355 |
| Total - General Unit | 2,667 | 2,466 | 2,421 | 2,643 | 2,306 |
| | | | | | |
| IFBs Received | 2010 | 2011 | 2012 | 2013 | 2014 |
| Auto Unit Totals | 5,028 | 4,909 | 4,551 | 4,193 | 4,308 |
| Workers Comp Unit Totals | 1,352 | 1,584 | 1,255 | 1,014 | 998 |
| Medical/No-Fault Unit Totals | 14,625 | 14,033 | 15,475 | 14,543 | 16,835 |
| Arson Unit Totals | 489 | 430 | 336 | 295 | 311 |
| General Unit Totals | 2,667 | 2,466 | 2,421 | 2,643 | 2,306 |
| Grand Total | 24,161 | 23,422 | 24,038 | 22,688 | 24,758 |

| | | | | | |
|-----------------------|------|------|------|------|------|
| Cases Opened by Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Boat Theft | 3 | 0 | 2 | 0 | 0 |
| Auto Theft | 119 | 96 | 70 | 55 | 56 |
| Theft From Auto | 1 | 1 | 0 | 0 | 2 |
| Auto Vandalism | 14 | 9 | 6 | 3 | 1 |
| Auto Collision Damage | 63 | 65 | 38 | 25 | 34 |
| Auto Fraudulent Bills | 5 | 5 | 3 | 2 | 4 |
| Auto Miscellaneous | 61 | 39 | 25 | 16 | 27 |
| Auto I.D. Cards | 3 | 1 | 0 | 0 | 0 |
| Total - Auto | 269 | 216 | 144 | 101 | 124 |

| | | | | | |
|---------------------------|-------|-------|-----|-----|-----|
| Workers' Compensation | 537 | 1,042 | 467 | 98 | 88 |
| Total - Workers' Comp | 537 | 1,042 | 467 | 98 | 88 |
| Disability Insurance | 18 | 13 | 3 | 2 | 10 |
| Health Accident Insurance | 80 | 72 | 41 | 32 | 34 |
| No-Fault Insurance | 72 | 88 | 44 | 22 | 65 |
| Total - Medical/No-Fault | 170 | 173 | 88 | 56 | 109 |
| Boat Fire | 0 | 1 | 0 | 0 | 0 |
| Auto Fire | 59 | 48 | 35 | 14 | 11 |
| Fire – Residential | 28 | 19 | 11 | 8 | 6 |
| Fire – Commercial | 12 | 12 | 6 | 6 | 9 |
| Total - Arson | 99 | 80 | 52 | 28 | 26 |
| Burglary – Residential | 15 | 12 | 11 | 1 | 2 |
| Burglary – Commercial | 5 | 2 | 1 | 1 | 0 |
| Homeowners | 25 | 22 | 9 | 6 | 9 |
| Larceny | 13 | 8 | 13 | 14 | 11 |
| Lost Property | 4 | 1 | 2 | 0 | 1 |
| Robbery | 0 | 1 | 0 | 0 | 1 |
| Bonds | 4 | 2 | 3 | 5 | 0 |
| Life Insurance | 9 | 13 | 9 | 11 | 10 |
| Ocean Marine Insurance | 1 | 1 | 0 | 1 | 0 |
| Reinsurance | 0 | 0 | 0 | 0 | 0 |
| Appraisers/Adjusters | 2 | 2 | 1 | 2 | 0 |
| Agents | 18 | 12 | 4 | 9 | 15 |
| Brokers | 15 | 17 | 7 | 8 | 6 |
| Ins. Company Employees | 1 | 1 | 0 | 0 | 1 |
| Insurance Companies | 9 | 10 | 1 | 0 | 6 |
| Title/Mortgage | 21 | 8 | 4 | 2 | 1 |
| Commercial Damage | 7 | 6 | 4 | 2 | 7 |
| Miscellaneous | 12 | 38 | 21 | 48 | 26 |
| Total - General | 161 | 156 | 90 | 110 | 96 |
| Grand Total | 1,236 | 1,667 | 841 | 393 | 443 |

| | | | | | |
|------------------------------|-------|-------|------|------|------|
| Cases Opened by Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Auto Unit Totals | 269 | 216 | 144 | 101 | 124 |
| Workers Comp Unit Totals | 537 | 1,042 | 467 | 98 | 88 |
| Medical/No-Fault Unit Totals | 170 | 173 | 88 | 56 | 109 |
| Arson Unit Totals | 99 | 80 | 52 | 28 | 26 |
| General Unit Totals | 161 | 156 | 90 | 110 | 96 |
| Total | 1,236 | 1,667 | 841 | 393 | 443 |

| 2010 | IFBs | Cases | Arrests |
|-----------------------------|--------|-------|---------|
| Auto Unit Total | 5,028 | 269 | 252 |
| Workers' Comp Unit Total | 1,352 | 537 | 119 |
| Medical/No-Fault Unit Total | 14,625 | 170 | 159 |
| Arson Unit Total | 489 | 99 | 56 |
| General Unit Total | 2667 | 161 | 82 |
| Grand Total | 24,161 | 1,236 | 668 |

| 2011 | IFBs | Cases | Arrests |
|-----------------------------|--------|-------|---------|
| Auto Unit Total | 4,909 | 216 | 225 |
| Workers' Comp Unit Total | 1,584 | 1,042 | 148 |
| Medical/No-Fault Unit 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 |

Approved Fraud Prevention Plans on File as of December 31, 2014

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 Commerce Insurance Company
American Family Life Assurance of New York
American General Life Companies
American Medical and Life Insurance Company
American Modern Insurance Group
American Progressive Life and Health Insurance Company of New York
American Transit Insurance Company
Americhoice of New York, Inc.
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
AutoOne Insurance Company
Capital District Physicians' Health Plan
Central Mutual Insurance Company
Central States Indemnity Company of Omaha
Centre Life Insurance Company
Chubb Group of Insurance Companies
CIGNA Health Group
Cincinnati Insurance Company
CNA Insurance Companies
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
Eveready 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 Benefit Life Insurance
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
OneBeacon Insurance Company
Oxford Health Plans
Pavaonia Life Insurance Company of New York
Permanent General Assurance Corporation

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
Tower Group of Companies
Transamerica Financial Life Insurance Company
Travelers
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 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

2014 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.