STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

January 15, 2001

To the Governor and the Legislature:

I am pleased to submit the Nineteenth Annual Report of the Superintendent of Insurance on the operations of the Insurance Frauds Prevention Act and the activities of the Insurance Frauds Bureau for Calendar Year 2000.

The Frauds Bureau made great strides during this past year. Arrests and criminal convictions are at an all time high. We are proud of those statistics; but beyond the numbers, we are proud of the Bureau's investigative and support staff for their achievements and contributions to this success.

We have devoted our resources to the detection and investigation of fraud wherever it occurs across New York State. We have met with prosecutors in each of the State's 62 counties and many local law enforcement agencies as well, to encourage teamwork and cooperation. These efforts will continue.

In addition, we have aggressively encouraged insurers to take on the responsibility of educating the public about insurance fraud. As a result, four major anti-fraud campaigns have been initiated, using radio, television and newspaper ads as well as outdoor billboards, to heighten public awareness and reduce insurance fraud. These programs, insurer-operated and managed, cost no taxpayer dollars.

We look forward to the coming year and the opportunity to continue to serve the people of New York State.

Respectfully,

Neil D. Levin
Superintendent of Insurance

The 2000 Report to the Governor and the Legislature of the State of New York on the Operations of the Insurance Frauds Prevention Act (Article 4 of the Insurance Law)

A Message from the Director

A year ago, as we looked forward to a new millennium, the Frauds Bureau set an extensive and exciting agenda for the year that lay ahead, an agenda that would advance the Insurance Department's mission to combat insurance fraud in the most effective way possible. Now, as we look toward 2001, I can report that, notwithstanding a few bumps in the road, we have made significant progress. In addition to a record number of arrests and convictions:

- We have reached out to every prosecutor in every corner of the State to offer our resources and expertise in developing strong cases with the greatest potential for conviction.
- We have initiated a training program for local law enforcement agencies. Frauds Bureau staff conduct seminars twice a month at the New York City Police Department Auto Crime Training School for NYPD staff, fire marshals, sanitation inspectors and DAs, among others.
- We have met with hundreds of insurance industry staff during the past year, both formally and informally, to address issues of compliance with Regulation 95 and other matters of concern.
- The Bureau conducted two all-day conferences with industry and law enforcement staff, designed to foster teamwork and build a strong fraud-fighting team in New York State.
- We have worked with insurers in initiating four major advertising campaigns to heighten public awareness of the prevalence of insurance fraud and how they can help to prevent it.
- The Bureau conducts regular training in the latest techniques used for arson investigations at the Fire Academy in Montour Falls. The Academy services every fire district in the State.

We have also increased the use of technology in our investigations of insurance fraud in New York State.

- We have expanded our electronic fraud reporting system to all insurers in the State. Using the new system, insurers can complete fraud report forms online and transmit the information to the Frauds Bureau in real time. In addition, the system has a valuable feedback feature that provides information on all other reports in the Frauds Bureau database that share information with the report just submitted, *e.g*., name and/or address of the subject, a vehicle identification number, and other matching data.
- The Frauds Bureau employs a number of databases, both internal and external, in the course of our investigations. In 2000, we added the State Tax Department database as a potential source of information in workers' compensation fraud cases. In addition, Frauds Bureau investigators recently gained access to the NYPD's accident report database which we believe will prove invaluable in our investigations of no-fault fraud.

While we are justly proud of our past accomplishments, we know that much remains to be done. With your continued support, we accept the challenge.

Charles DeRienzo
Director, Insurance Frauds Bureau

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Insurance Frauds Bureau
2000 Highlights

The Frauds Bureau, with a total of 503 arrests, set a new record in 2000, topping last year's total of 390 by almost 30%. In addition, the number of criminal convictions in Bureau cases increased from 194 to 318 over the year.

At the direction of the Superintendent, the Bureau, for the first time ever, met with prosecutors from each of New York State's 62 counties, with promising results. Prosecutors now regularly seek our help in developing cases and convictions are at an all time high.

The Bureau continued its outreach program during 2000, providing training and education seminars to more than 2,900 insurance company staff and members of law enforcement agencies.

With the support and encouragement of the Bureau, the industry launched four major public awareness campaigns to educate the public to the prevalence and costs of insurance fraud. .

The Bureau sponsored two all-day conferences during the year – one in May, the second in November. The conferences have become increasingly popular with members of the industry and law enforcement as a forum for education, networking, and honing investigative skills.

The Bureau expanded its Frauds Resource Center on the Department's Web site (www.ins.state.ny.us), adding a section containing monthly arrest summaries. In addition, the Bureau's Annual Reports are now available on the Web site.

In May, the Bureau hosted a meeting of the Mid Atlantic States Insurance Fraud Association. The meetings provide an opportunity for interaction, exchange of information and coordination of investigations among fraud directors and attorneys general in the middle-Atlantic region.

Legislation signed by Governor Pataki in October modifies the requirements for employment as an investigator in an insurance company Special Investigations Unit. The Bureau has initiated promulgation of the Third Amendment to Regulation 95 in order to bring the Regulation into conformity with the new law.

The Bureau revised its consumer brochure, "Welcome to the New York State Insurance Frauds Bureau," to provide consumers with updated arrest and conviction statistics and information about the latest fraud scams.

II. The Insurance Frauds Bureau

When the year 2000 began, we had a vision of the Frauds Bureau as a member of a cohesive fraud-fighting team with cooperation, communication and commitment as its cornerstone. We foresaw the creation of a group of professional investigators from all segments of New York State – the insurance industry; federal, state and local law enforcement agencies; other New York State agencies; police and fire academies across the State – working together to detect and prevent insurance fraud. Over the past year, the Bureau has been a catalyst in that endeavor and as a result, that vision has begun to take shape. We took a two-pronged approach.

- **Our Outreach Program** – At the direction of the Executive Bureau, we instituted an outreach program throughout the State. In an effort to develop a meaningful dialogue, we met with the staff of the district attorneys in each of the State's 62 counties. We conduct regular day-long conferences for the insurance industry and law enforcement agencies to provide a forum for the free flow of information and exchange of ideas. The May 2000 conference focused on the increasingly prevalent problem of no-fault insurance fraud. The second conference, held in November, highlighted life insurance fraud, broker fraud and employee fraud.

Charles DeRienzo, Director of the Frauds Bureau, addresses the New York Anti Car Theft & Fraud Association at a recent seminar.

We developed an ongoing training schedule that includes seminars for members of the industry's Special Investigations Units, police departments and industry associations to enhance their understanding of who we are and how we can work together to detect and investigate fraud more effectively.

***Joint Investigations** – The result of our efforts have been noteworthy. Federal and state law enforcement agencies have begun to seek our assistance in the development and investigation of their cases. In addition, we have participated in multi-agency investigations in the past year to a greater degree than ever before. We have teamed up with the Workers' Compensation Inspector General's Office and the State Insurance Fund to investigate workers' compensation fraud cases, and with DMV and the NYPD Auto Crime Division on auto fraud investigations. We have successfully investigated several life insurance fraud cases in conjunction with the U.S. Postal Inspection Service. In a number of other fraud cases, we have provided assistance to local Sheriff's offices, town police departments and the New York State Police. We have also worked hand in hand with various federal agencies such as the FBI, the U.S. Attorney's Office, the U.S. Customs Service and the Port Authority of New York & New Jersey. And over the course of the year, cooperation and close contact with District Attorney's Offices led to 318 convictions in Frauds Bureau cases.

***Cooperative Enforcement Efforts** – As a result of our statewide approach, the Bureau participates in a number of task forces and working groups designed to foster a spirit of cooperation among those entities with whom we interact in the investigation of insurance fraud. Many of our cases require a long-range commitment and our participation in these groups provide us with the opportunity to share manpower and resources with the many

agencies throughout New York State that have similar goals. For example, Frauds Bureau investigators are members of a newly established group – the Fraud Insurance Strike Team, or FIST – sponsored by the Onondaga County District Attorney's Office. This Strike Team also includes the State Insurance Fund and the Workers' Compensation Inspector General's Office. There are a number of other groups in which the Frauds Bureau participates with federal, state and local law enforcement agencies, such as:

The Western District of New York Health Care Task Force;
The Capital District Health Care Fraud Working Group;
The Northern District of New York Health Care Investigators' Group; and
The Oneida County Arson Task Force/Strike Force.

The success we have experienced in multi-agency investigations leaves no doubt as to the value of such cooperative efforts.

- **Data Sharing** – The second part of our strategy was a program aimed at taking advantage of the tools technology offers to detect fraud. Toward that end, we have initiated a coordinated system of data sharing. The Bureau's **Electronic Fraud Reporting System** was opened to the entire industry in March. The system allows insurers to submit data online, making fraud reporting more efficient and effective. But, perhaps more importantly, the system provides valuable cross-references. Once a report has been transmitted, the Bureau's database provides the insurer with information on all other reports that share information with the report just transmitted, *e.g.*, the same name and/or address of the suspect, the vehicle identification number (VIN) in cases of auto insurance fraud, or other matching data. Insurers can also access the details contained in these cross-reference reports and are provided with the name and telephone number of a contact person at any other company on the cross-reference list. The number of reports of suspected insurance fraud received by the Frauds Bureau reached 22,247 in 2000, up from 19,196 in 1999 and 21,170 the year before.

  ***No-Fault Fraud –** The Frauds Bureau has seen reports of no-fault insurance fraud increase from 489 in 1992 to 12,372 in 2000, now accounting for 56% of all reports of suspected fraud received by the Bureau. We are mounting an attack on no-fault fraud on a number of fronts. **1) NYPD Accident Report Database** – In an innovative program begun in 2000, the Bureau acquired direct access to the New York City Police Department's accident-report database. When an insurer reports an incident of suspected auto insurance fraud that occurred in the five boroughs of New York City, our investigators can access the NYPD system and view online pertinent information related to the accident. Comparison of the data will enable investigators to identify any discrepancies, *e.g.*, additional "victims" listed on the report submitted to the insurer. The Bureau is currently meeting with the Department of Motor Vehicles and the New York City Police Department to examine ways for insurers to gain more timely access to original accident report information. **2) Mine and exchange insurer data to more quickly identify medical mills** posing as legitimate medical providers. The Frauds Bureau has been supporting insurer efforts to collect such data through on-site review of medical facilities. A comprehensive industry-wide database would be an invaluable asset in the investigation of cases where facilities begin operations, make a few million dollars, then move to a new location under a new name. **3) The Bureau supports a bill making it a crime for third parties, known as runners,** to recruit patients

and clients for health care providers and attorneys involved in these insurance fraudulent medical facilities. Such providers then submit fraudulent insurance claims and the lawyers handle the lawsuits that result from staged accidents. Frauds Bureau investigations often lead to cappers and runners but currently there is no law under which charges can be brought against them. The Frauds Bureau supports legislation that would provide Bureau investigators, as well as prosecutors and other law enforcement agencies, with a means of holding these individuals accountable for these activities.

***Workers' Compensation Fraud –** Governor Pataki's landmark workers' compensation reform legislation in 1996 created the Workers' Compensation Inspector General's Office, as well as a Workers' Compensation Fraud Unit within the Frauds Bureau. The Frauds Bureau has made workers' compensation fraud a priority, resulting in a number of successful sweeps throughout the State in 2000. In all, 109 New York residents were arrested for scamming the workers' compensation system during the past year. Recently the Frauds Bureau teamed up with the State Insurance Fund and the Workers' Compensation Inspector General in using the latest innovations in high technology to combat fraud through the Workers' Compensation Board's new **FrAUD-I.T. program**. The program compares names stored in the Board's new statewide computer network with those found in the **New York State Department of Tax and Finance's New Hires Registry** to determine if anyone collecting benefits for a total disability is also reported as working during the same time period.

Enhancement of our outreach program and expansion of a systematic approach to data sharing will be among the Bureau's top priorities in the coming year. We are committed to continuing our role as a team builder so that all members of the team are working toward the common goal of reducing insurance fraud and lowering insurance premiums for all New Yorkers.

III. The Staff

All Frauds Bureau investigative staff participate in the Bureau's in-service training program. The program complies with the standards and curriculum established for professional police officers by the Bureau of Municipal Police of the New York State Department of Criminal Justice Services. Our investigators conform to and often exceed these high standards.

Frauds Bureau investigators bring a wealth of law enforcement experience to the Bureau. Once on board, they must learn to use their investigative skills in the highly specialized field of insurance fraud. Towards that end, our investigators must become familiar with the Insurance Law, the Penal Law, the Criminal Procedure Law and other relevant laws and regulations. In addition, they must keep informed about all changes in these laws that may affect the proper performance of their duties. Training also covers computer technology, writing skills and supervisory techniques.

Frauds Bureau investigators are designated "peace officers," and as such, they can carry firearms, assist in the execution of search warrants and make arrests. Annual certification in firearms proficiency is required by the Department of Criminal Justice Services. However, all Frauds Bureau investigators are required to recertify semi-annually. This requirement is an indication of the importance to which we assign the responsibility of carrying and using firearms in the course of public service. In addition, investigators must observe the guidelines for the use of firearms established by the New York City Police Department.

Frauds Bureau investigators hone their skills at the firing range.

Frauds Bureau staff also participates in many training and continuing education courses sponsored by outside vendors such as John Jay College, the National Association of Insurance Commissioners and the American Management Association. These courses cover subjects such as arson detection, auto theft investigation, and tools and techniques for working with other state fraud bureaus. The Frauds Bureau's training program, provided both in-house and through outside sponsors, is both comprehensive and well rounded and ensures that our investigators remain at the top of their game.

IV. The Year in Review

A. Investigations

Of the 22,247 fraud reports received by the Bureau in 2000, 22,237 were received from licensees required to submit such reports to the Department and 10 were from other sources such as consumers and anonymous tips. A total of 1,004 new investigations were opened during the year, while numerous investigations continued in cases pending from prior years.

The new investigations led to the referral of 239 cases to prosecutorial agencies for criminal prosecution and 84 for civil settlement or referral to the Department's Office of General Council for civil proceedings. A comparison of the number of frauds reports received and investigations initiated from 1995 through 2000 appears in the Appendices.

B. Arrests and Prosecutions

The Frauds Bureau participated in investigations leading to the arrests of 503 individuals for insurance fraud and related crimes during 2000, surpassing last year's performance of 390 by nearly 30%. The number of arrests chalked up in 2000 establishes a new record for the Bureau and represents an increase of 337% since the beginning of the Pataki Administration. Criminal convictions obtained by prosecutors in Frauds Bureau cases are also at an all-time high, reaching 318 in 2000, far outpacing last year's total of 194. In addition, 330 individuals were sentenced in connection with Frauds Bureau cases.

Frauds Bureau activities resulted in stiff fines levied against 72 individuals in 2000. These individuals were sentenced to more the $1 million in court-ordered restitution. In 42 cases, individuals made voluntary restitution to insurers totaling an additional $ 658,771. In another 41 instances, insurers were able to achieve savings of more that $2.8 million in connection with fraudulent claims under investigation by the Bureau.

The solid support of the Governor and the Legislature has enabled us to forge ties and open lines of communication in all segments of the fraud-fighting community. These efforts have contributed in large measure to the Bureau's accomplishments during the past year.

C. Major Cases

The Frauds Bureau was involved in several major investigations during 2000. In addition, a number of fraud sweeps conducted both upstate and downstate were an unqualified success. Here are brief summaries of some of the cases that contributed to the significant year-to-year increase in the number of arrests.

January

DAY-LONG SWEEP NABS 14

- A statewide effort led to the arrests of 14 people during a day-long sweep in Onondaga County on 1/25/00 that targeted individuals who were charged with fraudulently collecting workers' compensation benefits, as well as others attempting to defraud the insurance system. The Frauds Bureau conducted the sweep in conjunction with the Workers' Compensation Inspector General's Office and state and local law enforcement agencies in the Syracuse area. Among those arrested was an upstate resident who allegedly forged and cashed his father's bi-weekly benefit checks for almost a year after the father's death. Also arrested was a woman who had been collecting workers' compensation benefits since 1994 when in fact she was self-employed as a masseuse. 100% of these arrests have resulted in conviction.

STING OPERATION NETS GAMBINO CRIME FIGURES

- A joint investigation by the Frauds Bureau, the New York City Police Department Auto Crime Division and the Queens District Attorney's Office led to the arrest and indictment on 1/25/00 of Carmine Agnello – a member of the Gambino crime family – three of his associates, and the company they owned, on charges of enterprise corruption under New York State's Organized Crime Control Act. The indictment charged that Agnello – son-in-law of John Gotti – and his cohorts used extortion, arson and threats to control the lucrative scrap metal industry in Willets Point, Queens. The repair shops and scrap yards located throughout this area deal in stolen cars on their way to export, as well as those destined to be stripped for parts and the shells shredded for scrap. Forty-eight other individuals were also arrested in this case on charges of various auto-related crimes such as insurance fraud, criminal possession of stolen property and illegal possession of vehicle identification numbers. During the year-long operation, undercover investigators set up a bogus scrap metal business that was used to gather the evidence that led to the arrests. These arrests struck a major blow to the domination of this industry by organized crime.

February

AUTO "GIVE UP"

- A two-year sting operation by the Frauds Bureau and the New York City Police Department Auto Crime Division (that together make up the Joint Auto Larceny Task Force) led to the arrest on 2/2/00 of a Bronx woman accused of insurance fraud, grand larceny and false instrument for filing. She allegedly "gave up" her 1998 Ford Windstar to undercover officers on 7/10/99, subsequently reported it stolen and collected more than $17,000 from Allstate Insurance Company.

PAIR CHEATS 16 INSURERS

- As a result of a three-year investigation conducted by the Frauds Bureau, the National Insurance Crime Bureau and the Nassau County District Attorney's Office, two business partners were arrested in a scheme to defraud 16 insurance companies of more than $1 million in premiums. The two set up bogus corporations in order to secure lower insurance premiums on vehicles used in their car rental fleet. After the corporations were set up, mail drops were used throughout the tri-state area to re-register the vehicles to hide their true purpose.

March

SENTENCING IN WORKERS' COMPENSATION FRAUD CASE

- Ulice Chaney was sentenced on 3/10/00 in Monroe County Court to five years probation and ordered to pay $47,396 in restitution to Eastman Kodak. Chaney had pled guilty to insurance fraud in the 3rd degree on 1/10/00. Chaney was injured on the job in 1991 while employed by Kodak and subsequently filed for workers' compensation benefits. However, based on a tip to Kodak, an investigation was initiated by the Frauds Bureau, the Workers' Compensation Inspector General's Office and the Rochester Police Department. The investigation revealed that Chaney was employed from 10/94 to 6/97 delivering newspapers using his son's name. During that time, he collected $47,396 in workers' compensation benefits to which he was not entitled.

MEDICAL FRAUD

- The defendant in this case, while employed at a Manhattan physician's office, allegedly submitted fraudulent claims to Oxford Health Plan and received benefits totaling more than $5,000 for medical services she never received. An joint investigation by the Frauds Bureau and the New York City Police Department resulted in her arrest on 3/20/00.

April

WATERLOO PARENTS USED CHILDREN TO DEFRAUD INSURER

- As a result of an investigation by the Frauds Bureau and the New York State Police, with the assistance of the Workers' Compensation Inspector General's Office, a Waterloo couple was arrested on 4/3/00 and charged with five counts of insurance fraud. The charges allege that the couple directed two of their children to fake soft-tissue injuries in order to receive insurance benefits. The parents allegedly took the children to local emergency rooms where

the children falsely claimed to have suffered injuries in various accidents around their home. The parents received more than $700 in benefits for these treatments, which were covered under both their health insurance plan, and an accident policy that paid a fixed amount per emergency room visit. Ten days later, the children, a boy aged 16 and a girl aged 17, were arrested and charged with insurance fraud for their part in the scheme. At the same time, the parents were brought up on additional charges that included endangering the welfare of a child for soliciting their children to engage in illegal activity.

GUILTY PLEA IN CEREBRAL PALSY TRANSPORT CASE

- An investigation conducted by the Frauds Bureau, the Richmond County District Attorney's Office and CNA Insurance led to the arrest of Anthony Callicchio, a Queens auto glass repair shop owner on 4/18/00 on charges of bilking one of New York City's largest not-for-profit organizations. Callicchio was charged with submitting fraudulent repair claims totaling $35,000 to the insurers for United Cerebral Palsy of New York State's transportation arm, Cerebral Palsy Transport (CPT). Callicchio, a vendor for CPT, used access to vehicle and insurance information to submit phony claims directly to CNA Insurance for windshield and side window replacement in CPT busses and vans. He pled guilty and was sentenced on 6/5/00 to three years probation and ordered to make full restitution. Callicchio was sentenced to pay $20,000 in restitution immediately and the balance over his three-year probation period.

May

ANOTHER GAMBINO CRIME FAMILY ASSOCIATE CAUGHT

- In an offshoot of the Carmine Agnello case, the Frauds Bureau assisted in the arrests on 5/16/00 of 22 people, including Charles Marino, Mark Weiss and Craig Persico, three main suspects in the operation of an auto crime ring in Queens. Marino is a Gambino crime family associate and confidante of Carmine Agnello who was arrested in January. In this case, the Frauds Bureau was contacted more than a year earlier by the New York City Policy Department Auto Crime Division to assist in the undercover investigation. Detectives from the Auto Crime Division operated a phony chop shop to catch car owners who sold their cars and then fraudulently reported them stolen. The arrests put an end to this crime ring and resulted in the recovery of $1 million in vehicles and parts.

SWEEP YIELDS 11

- A joint investigation by the Frauds Bureau, the Nassau County District Attorney's Office, the State Insurance Fund, the State Police, the Workers' Compensation Inspector General's Office, the U.S. Postal Inspection Service, and the National Insurance Crime Bureau resulted in the arrests of 11 individuals on charges involving theft of workers' compensation benefits, fraudulent claims to a medical insurance company, phony accident claims, and inflated burglary and false theft claims. Among those arrested was a Freeport man employed as a flagman at a construction site. He filed a workers' compensation claim stating he was struck by a vehicle while directing traffic at the site. He submitted numerous documents claiming he was totally disabled and unable to work. Despite his sworn statements that he was not employed, he was caught on videotape working as a scuba diver. A Syosset resident, also arrested in the sweep, was accused of collecting nearly $30,000 by submitting false claims

for various medical procedures and doctor visits that never took place. In another of the cases, two defendants were accused of engaging in a scheme to defraud several insurance companies. They allegedly filed numerous reports for damage and theft to their respective vehicles, using the same invoices and receipts each time.

June

OPERATION GOLDBRICK II NETS 17

- A six-month investigation yielded 17 arrests in a Long Island sweep conducted between 6/20/00 and 6/22/00. These 17 defendants were receiving workers' compensation benefits under false pretenses. Investigators used videotape surveillance to collect evidence which showed that one of the defendants was employed as a topless dancer at a local club. The defendants in other cases were shown performing heavy lifting and construction work, while claiming that their injuries prevented them from working. Operation Goldbrick II was conducted jointly by the Frauds Bureau, the Suffolk County District Attorney's Office, the State Insurance Fund, the Workers' Compensation Board and the National Insurance Crime Bureau.

FRAUDULENT DEATH CLAIMS TOTAL CLOSE TO $3 MILLION

- The charges in this case allege that the defendant purchased several insurance policies on his own life, naming as beneficiary a person with the same surname who he claimed was his brother. The defendant, falsely representing himself as his brother, submitted claims to the insurers that had issued the policies, indicating that the policyholder had died in an automobile accident in Haiti. The defendant submitted a false death certificate and police report. However, the insurance companies were unable to find any police reports or hospital records in Haiti confirming the death. Investigators from the Frauds Bureau and the Staten Island District Attorney's Office conducted the investigation that led to the arrest of this defendant on 6/20/00. Whether the two men knew one another is not clear but the man purported to be the brother was not charged.

STING TARGETS INSURANCE "GIVE UPs"

- An undercover sting investigation led to the arrests on 6/14/00 of 18 people for allegedly claiming that their cars were stolen when in fact they had given them up to a chop shop for dismantling. The chop shop was run by members of the New York City Police Department Auto Crime Division who conducted the investigation jointly with the Department's Frauds Bureau and the Queens District Attorney's Office. Ten insurers were defrauded of more than $260,000 in this scheme which was part of a larger investigation that resulted in the arrest in January of Carmine Agnello, a member of the Gambino organized crime family.

July

PHONY COSMETIC SURGEON CONVICTED OF INSURANCE FRAUD

- Sonia Lafontaine, who performed dozens of procedures without any medical training, was convicted of 17 counts of insurance fraud on 7/13/00. In a clinic she operated in Manhattan with her husband, Lafontaine used crude equipment to perform cosmetic surgeries, according to several of her patients who testified at her trial. In January 1998, one of her patients died

during liposuction. The anesthesiologist used for this procedure had had her license suspended because of an addiction to morphine. Lafontaine defrauded insurers into paying for cosmetic procedures that weren't covered by falsely billing for procedures that were covered. An investigation by the Frauds Bureau and the Manhattan U.S. Attorney's Office led to Lafontaine's arrest in March 1998. At that time, the clinic was shut down and the New York State Health Department pulled the licenses of four doctors who were also involved in the scam. These doctors received kickbacks for signing phony medical bills. Lafontaine has been in prison for months for allegedly trying to bribe a witness in the case. Her husband fled to Canada and is now a fugitive.

INVESTIGATION NABS UNLIKELY TRIO

- A dancer, a construction worker, and the owner of an auto body shop, working in concert, allegedly were involved in an auto accident in front of the auto body shop. The construction worker was supposedly driving a vehicle that went out of control and crashed into two parked cars and a tow truck owned by the body shop. However, since his driver's license had been suspended, the dancer claimed that she was driving when the car went out of control. In reality, the accident was staged and the story was fabricated in order for the owner of the body shop to file claims in the amount of $29,000 for damages. However, the claims were not paid. The dancer and the construction worker were arrested on 7/13/00 for their part in the scheme. The shop owner was arrested on 6/27/00. An investigation by the Frauds Bureau and the Suffolk County Police Department led to the arrests..

August

MAJOR PLAYER IN STOLEN JETSKI FRAUD SCAM SENTENCED

- Kim Aiello Jr., who played a major role in a stolen jetski distribution network in Queens, was sentenced in Queens County Court on September 7, 2000 to 1-3 years in prison. Aiello, 22 years old, lives in Mill Basin, Brooklyn. A major investigation involving the Frauds Bureau, the Queens District Attorney's Office, the New York City Police Department, the FBI, the U.S. Postal Inspection Service, the United States Customs Service and the Port Authority of New York and New Jersey led to the arrest and indictment of 55 individuals in December 1999 in connection with the operation of a stolen jetski distribution network. Manufacturers typically sell jetskis at the New York Boat Show in January on terms that require no down payment and no other payments until September. The manufacturers also help purchasers obtain financing and insurance. These very favorable arrangements made it relatively easy for Aiello to recruit people willing to claim at the end of the summer that their jetskis had been stolen. It spared the owners the expense of storing the jetskis over the winter, gave them the money to pay off their loans and make a little profit from the fee paid to them by Aiello and his crew of thieves. With the assistance of the owners of a recreational vehicle dealership in Queens, Aiello and his associates arranged to have the jetskis shipped to a similar dealership in Puerto Rico.

BRONX SWEEP NETS SEVEN

- A joint investigation conducted by the Frauds Bureau, the Bronx District Attorney's Office and the Workers' Compensation Inspector General led to the arrest of seven individuals on 8/18/00 on unrelated insurance fraud charges totaling nearly $271,000. Among the

defendants was a medical doctor accused of certifying that a patient was totally disabled so the patient could collect disability benefits. Subsequently, the doctor allegedly hired the patient to lay carpet in his Bronx office. The patient, a Yonkers resident, allegedly collected over $4,100 in disability benefits between June and October 1998. While under surveillance on 4/27/99, he was observed removing tools and other work equipment from his car. He allegedly entered the doctor's office before 9 a.m. and worked all day laying carpet, leaving about 7 p.m. that evening. The five other defendants were charged with insurance fraud and other crimes for allegedly collecting workers' compensation benefits to which they were not entitled.

September

GUILTY PLEAS IN TWO FRAUD CASES

- On 9/7/00, Stephen T. Maimone of Pittsford, New York pled guilty to criminal possession of a forged instrument in the 3rd degree. On three occasions from 1996 to 1999, this self-employed wallpaper hanger altered certificates of insurance to indicate that he had workers' compensation and other insurance coverages when in fact he had none. He submitted the certificates of insurance to a contractor in order to obtain work on various projects without securing the appropriate insurance. His arrest on 8/2/00 was the result of an investigation conducted by the Frauds Bureau and the Monroe County District Attorney's Office. On 11/29, he was sentenced to a stiff fine of $1,000 plus a $110 surcharge and three years probation.
- Scott Zatley of Binghamton pled guilty to criminal solicitation in the 5th degree and was sentenced to a one-year conditional discharge and restitution of $1,500 to USAA Insurance Company. Zatley, the owner of Disaster Kleen Up, was hired by USAA to clean up medical waste from the property of one of the insurer's policyholders. Zatley billed USAA and the insurer issued a check for $1,500 that required the signature of both Zatley and the policyholder. When the policyholder refused to sign the check because of dissatisfaction with the work, Zatley forged the policyholder's name. The investigation was conducted by the Frauds Bureau and the Broome County District Attorney's Office.

ONONDAGA COUNTY SWEEP NETS 20 SUSPECTS

A joint investigation conducted by the Frauds Bureau, the State Insurance Fund, the Workers' Compensation Inspector General's Office and the Onondaga County District Attorney's Office culminated in the arrest of 20 individuals on 9/19-9/20/00. The majority of the arrests involved allegations of workers' compensation fraud. Among those arrested were the following:

- Two owners of a small business in Syracuse were charged with conspiring to conceal from an inspector from the Workers' Compensation Board that one of their employees actually worked for them. The employee, who collected $12,380 in workers' compensation benefits over the period of his employment, deceived his insurer about his ability to work.
- In a similar case, a woman while employed as a bartender collected $1,525 in lost wage benefits to which she was not entitled. The owner of the bar, also arrested, is charged with falsely informing a Workers' Compensation Board inspector that the bartender was not in his employ.
- One defendant was charged with impersonating his brother, a workers' compensation claimant, in order to obtain prescription drug benefits from the State Insurance Fund.

- A Syracuse woman was charged with insurance fraud and grand larceny for damages to her car following an accident she claimed occurred on 9/25/99, one day after she had obtained insurance coverage. State Police records indicate that the accident occurred on 9/23/00, the day before the coverage took effect.
- In addition, 13 other suspects arrested in the sweep allegedly collected more that $90,000 in workers' compensation benefits, while claiming to be unable to work. However, they were all employed in various jobs ranging from construction worker to taxi driver to a baker of apple pies that were sold at the Lafayette Apple Festival.

October

GUILTY AS CHARGED

- Brian Lorenc, a former MetLife insurance agent, pled guilty on October 27, 2000 to grand larceny in the 3rd degree and scheme to defraud in the 1st degree. After receiving a complaint from MetLife, the Frauds Bureau initiated an investigation that revealed that between 1993 and 1999, Lorenc defrauded eight MetLife policyholders of nearly $93,000. In some cases, Lorenc contacted the policyholders and persuaded them to take a loan on their existing policy, to use built-up dividends, or to cash in the policy for the surrender value, with the monies to be used to purchase other policies. Of course, new policies were never purchased and Lorenc pocketed the money. In other instances, Lorenc initiated the loan or surrender without the knowledge or consent of the policyholders. When these policyholders received the checks from MetLife and questioned Lorenc about them, he informed the policyholders that there had been an error and that he would return the checks to MetLife. Again, he pocketed the money. MetLife has repaid all of the victims in this scheme. Lorenc has paid approximately $25,000 in restitution thus far and will repay the remaining amount before his February 2, 2001 sentencing date.

HIS HOME IS NOT A CASTLE

- On October 20, 2000, Emy David Okagbue-Ojekwe, who had claimed to be a Nigerian prince, was sentenced to seven years and three months in prison. Earlier this year, Okagbue-Ojekwe was convicted of five counts of mail fraud in a scheme to defraud a number of insurers of $4.7 million in death benefit claims. Okagbue-Ojekwe reported that his twin brother, Harris E. Davis, had died in an auto accident in Nigeria in 1999. However, evidence uncovered during an investigation by the Frauds Bureau and the U.S. Postal Inspection Service showed that the twin brother never existed and that Harris E. Davis was in reality one of Okagbue-Ojekwe's 30 aliases.

LIFE AFTER DEATH

- The defendant in this case allegedly submitted a fraudulent claim for $225,000 to a life insurance company. The claim stated that the defendant's father had died on 1/23/97 in the Dominican Republic. An investigation conducted by the Frauds Bureau and the Bronx District Attorney's Office revealed that both the police report and the death certificate were bogus. The investigators further learned that the defendant's father is alive and well and became a naturalized citizen of the U.S. on 5/15/99.

November

QUEENS AUTO THEFT RING ROUNDED UP

- A fraud sweep conducted on 11/21/00 led to the arrests of 17 individuals in connection with the operation of a multi-million dollar auto theft, dismantling and stolen parts ring operating in Queens and Brooklyn. Six of the defendants were charged under New York State's Organized Crime Control Act with operating a criminal enterprise. These six defendants and 11 others were also charged with grand larceny, criminal possession of stolen property and unlawful dismantling, among other crimes. Four additional arrests have subsequently been made in this case**.** According to the charges, the manager and operator of the ring would receive orders for specific auto parts from body shop owners. The manager would then allegedly give orders to various thieves, called "steal men," and dismantlers, known as "cutters," to steal cars for the requested parts. The stolen cars were then dismantled and the parts shipped to the auto body shops that had ordered them. The ring manager also faces charges in an alleged arson in Brooklyn and an alleged shooting up of a building in revenge for the theft of a motorcycle. A ten-month investigation conducted by the Frauds Bureau, the New York City Police Department Auto Crime Division, and the Queens District Attorney's Office led to the arrests. The Hartford Insurance Company provided funding and investigative assistance.

MAJOR CRACKDOWN ON NO-FAULT FRAUD IN NEW YORK CITY AREA

- In what is being called the biggest-ever crackdown on no-fault auto insurance fraud in the New York City Area, 53 defendants were charged on 11/16/00 for their participation in a scheme that purposely staged at least 27 auto accidents in Brooklyn, Queens, Manhattan, and Hempstead, Long Island since 1996. According to the criminal complaint, owners and managers of medical clinics paid "runners" to recruit drivers to cause accidents and others who agreed to be passengers. In 21 of the 27 staged accidents, these drivers allegedly targeted vulnerable drivers such as women alone, women with children and the elderly as their innocent victims. The other six accidents involved cars owned or insured by members of the ring who hit each other. The recruiters would then send the drivers who had initiated the accidents and their passengers to the medical clinics owned and managed by the individuals who had hired the recruiters in the first place. The passengers falsely claimed multiple injuries and sought payment for services that either were not necessary or were never provided. Of the 53 indicted, 29 have been arrested, including one ring member who acted as a passenger in an accident and sued himself under an alias as the owner of the auto used to cause the accident. This investigation is ongoing and more arrests are anticipated. The indictment and subsequent arrests were the result of a multi-agency investigation conducted by the Frauds Bureau, the U.S. Postal Inspection Service, the U.S. Attorney's Office and the FBI.

December

WHO NEEDS GOLF CLUBS?

- A joint investigation by the Frauds Bureau and the Herkimer County District Attorney's Office brought about the arrest on 12/6/00 of an upstate laborer on charges of criminal possession of a forged instrument in the 2nd degree and insurance fraud in the 4th degree. The

man submitted a claim to his homeowners insurer stating that golf clubs had been stolen from the rear of his truck. He subsequently submitted a receipt as proof of replacement of the golf clubs. However, evidence uncovered during the investigation alleges that the receipt was forged.

DUAL PERSONALITY

- On 12/5/00, the defendant in this case was arrested and charged with submitting a fraudulent claim for $500,000 to Prudential Life Insurance Company alleging that his brother had died accidentally in Nigeria from a head injury sustained in a fall. The defendant also submitted a cause of death certificate signed by a doctor associated with General Hospital Isolo in Nigeria and a burial certificate to substantiate the claim. An investigation conducted by the Frauds Bureau and the U.S. Postal Inspection Service revealed that both documents were counterfeit. The doctor and a cemetery attendant later admitted that they had concocted the story of the death. Furthermore, DMV records indicate that the defendant and the brother on whom he had taken out the Prudential policy appear to be the same person.

FIVE GIVE-UP'S

- The Frauds Bureau, the New York City Police Department Auto Crime Division and the Brooklyn District Attorney's Office conducted an investigation that led to the arrest on 12/5/00 of five persons who allegedly "gave up" their autos and then fraudulently reported them stolen.

V. Operational Overview

A. Administration

The Frauds Bureau was established by an act of the Legislature in 1981 as a law enforcement agency within the New York State Insurance Department. The Bureau's primary mission is the detection, investigation and referral for prosecution of individuals and groups that commit insurance fraud. The Bureau is headquartered in New York City, with offices in Albany Buffalo, Mineola, Oneonta, Rochester and Syracuse. A complete list of office locations including addresses, telephone numbers and fax numbers appears in the Appendices.

Bureau staff consists of 29 investigators organized in eight specialized units – Arson. Automobile, No-Fault/Organized Fraud, Medical, Fraudulent Cards, Workers' Compensation, General and Upstate – each of which is headed by a Supervising Investigator. General oversight of the investigative staff is the responsibility of a Chief Investigator with the assistance of one Principal Investigator.

The Bureau also has a staff of two insurance examiners who work under the supervision of a Principal Examiner, and an Assistant Director of Research who reports to the Director and the Deputy Director. In addition, four support staff members report to the Secretary to the Director. A list of the number of staff members by title and office location appears in the Appendices.

B. Civil Enforcement

Under the provisions of Section 403 of the Insurance Law enacted by the Legislature in 1992, the Insurance Department is authorized to impose civil penalties of up to $5,000 plus the amount of the claim on individuals who commit fraudulent insurance acts. In addition, Section 2133 of the Insurance Law permits a fine of up to $1,000 for possession of a fraudulent automobile insurance identification card and up to $5,000 for each additional card possessed. These civil penalties give the Bureau the authority to impose sanctions in cases where the monetary value is not sufficient to justify criminal prosecution, or in which the extremely high burden of proof required in criminal cases cannot be met.

In 2000, civil fines imposed amounted to $499,019.85 in 77 cases and $305,718.06 in fines was collected. This compares with 1999, when a total of $304,011 was imposed in 78 cases, with $230,097 collected.

C. Fraud Prevention Plan Implementation

The Second Amendment to Regulation 95 requires all insurers that meet certain criteria to submit to the Department a Fraud Prevention Plan that includes establishing a Special Investigations Unit. All required Plans have been submitted and approved. In the coming months, we will begin the task of on-site review. Working with staff from the Special Investigations Units, the Bureau will oversee assessment of the Plans and provide guidance in implementing the provisions of the Amendment. The Bureau will work closely with insurers to anticipate trouble areas and to ensure that problems are addressed promptly.

Chapter 509 of the Laws of 2000, signed by Governor Pataki on October 4, 2000, modifies the requirements for employment as an investigator in an insurance company Special Investigations Unit. The Insurance Department has initiated the promulgation of the Third Amendment to Regulation 95 in order to bring the Regulation into conformity with the provisions of Chapter 509 of the Laws of 2000. In addition, the Department issued Circular Letter No. 32 on December 11, 2000 to inform all affected insurers of these changes in employment qualifications for Special Investigations Units. In addition, the Circular Letter advises insurers that Chapter 509 became effective October 4, 2000. Therefore, notwithstanding the fact that the Third Amendment to Regulation 95 has not yet been promulgated, all individuals acting as investigators in insurer Special Investigations Units on or after that date will be evaluated based on the new criteria. A copy of Circular Letter No. 32 is included in the Appendices.

The Bureau's goal is to work with the industry as a whole in a systematic effort to promptly identify and thoroughly investigate fraud, and to see investigations through to successful prosecution.

D. Public Awareness Programs

January 2000 marked the beginning of four major public awareness programs aimed at educating New York residents about the prevalence of insurance fraud and its costs to all of us. The National Health Care Anti-Fraud Association and the New York Alliance Against Insurance Fraud, a group of property insurers, have concentrated on radio and newspaper ads to get their message out. In addition, State Farm's program placed ads in newspapers and used outdoor bulletins, while Allstate focused on television advertising. These four major programs together have been carrying the message to all areas of the State. Especially noteworthy is the fact that these programs are insurer-based and require no taxpayer dollars to operate.

E. Circular Letters

The Department issued Circular Letter No. 10 on March 10, 2000 notifying all licensed insurers that the Department has established an electronic system for reporting incidents of suspected insurance fraud. The purpose of the Circular Letter is to inform the insurance industry how the system operates and encourage insurers to take advantage of this innovative method of fraud reporting. In addition to the advantage of transmitting fraud information in real time, the system has a valuable cross-reference feature that allows access to all other reports in the Frauds Bureau database that share information with the report just transmitted (*e.g.*, the same name and/or address or other matching data.

On December 11, 2000, the Insurance Department issued Circular Letter No. 32 informing all insurers of the changes in qualifications for employment in insurance company Special Investigations Units, as set forth in Chapter 509 of the Laws of 2000. The Department has initiated the promulgation of the Third Amendment to Regulation 95 to bring the Regulation into conformity with the provisions of Chapter 509. However, the Circular Letter advises insurers that the Law became effective on October 4, 2000. Therefore, all individuals acting as investigators in insurer Special Investigations Units on or after that date will be evaluated based on the new criteria.

Copies of both Circular Letters appear in the Appendices.

F. Director's Award

Director DeRienzo presents the 2000 Director's Award to Stephen Englert at the Frauds Bureau's May conference.

In recognition of his outstanding work in the field of insurance fraud investigation, the Frauds Bureau chose Stephen Englert, Manager of Allstate's Special Investigations Unit, as the recipient of the Director's Award for 2000. The Award is presented annually to an individual or group that consistently stands out in the fight against insurance fraud and Mr. Englert is eminently qualified. He worked closely with the Frauds Bureau on a number of important cases during 2000 and his dedication to duty and investigative expertise proved invaluable in these investigations.

VI Directions for 2001

A. No-Fault Insurance Fraud

No-fault insurance fraud is the most prevalent type of fraud reported to the Frauds Bureau, consisting of 56% of all reports in 2000. Working through our No-Fault Unit, established in 1999, the Bureau will make an all-out effort to combat this type of fraud and the medical mills that are an intricate part of these schemes. Sophisticated conspiracies of unethical medical providers and lawyers cost the insurance system millions of dollars a year in fraudulent claims and spurious lawsuits.

We are taking a number of steps in an effort to make a conspicuous dent in no-fault fraud. In an effort to prevent altered accident reports, we have begun discussions with the New York City Police Department and the Department of Motor Vehicles to examine ways to permit timely access to authentic accident report information to insurers. We have initiated a program to specifically train police officers around the State in ways to recognize staged accidents. In addition, we are working with insurers to support their efforts in auditing medical facilities in order to identify those that are bogus.

B. Insurer Oversight

We will continue to work with the industry to increase fraud detection on all levels. All insurers that are required to establish a Special Investigations Unit have done so. We will maintain regular communication with the staff of the SIUs to monitor implementation of their fraud prevention plans. This should lead to greater productivity in identifying and reporting insurance fraud. We will also continue to encourage insurers to strengthen and expand their public awareness programs so that all New York consumers will partner with us in fighting insurance fraud.

C. Frauds Bureau Standards

In the coming year, we will endeavor to maintain the high standards we have set for our Bureau. Our investigators will continue to participate in investigative, technical and administrative training. Moreover, the addition of a Training Officer to our staff will move the Bureau's training program forward and ensure that our investigators maintain the highest level of professionalism.

VII. Legislation

The Frauds Bureau requests and/or supports the following legislative changes:

- Modifying the reporting date for the Annual Frauds Report (pursuant to Section 405 of the Insurance Law) from January 15 to March 15 of each year;

- Modifying the reporting date for insurer Special Investigations Units annual report (pursuant to Section 409 of the Insurance Law) from January 15 to February 15 of each year;

- Mandating the on-site audit of insurer Fraud Prevention Plans to ensure compliance with Regulation 95;

- Establishing minimum standards for the public awareness programs that insurers are required to develop under the provisions of Regulation 95;

- Making it a crime for third parties, known as runners, to recruit patients and clients for health care providers and attorneys in insurance fraud schemes;

- Establishing a TIPS program;

- Requiring a periodic certification of continued eligibility by recipients of workers' compensation or disability benefits;

- Creating a class E felony for unlicensed activity by certain previously licensed individuals and entities that are no longer licensed at the time of the violation;

- Subjecting unlicensed activity to civil penalties after notice and hearing before the Insurance Department;

- Providing for automatic revocation of licenses under Article 21 of the Insurance Law for conviction of the licensee for felony larceny or felony insurance fraud;

- Requiring that life insurance policy applications include a permanent record of identification of the insured;

- Extending immunity to persons who provide assistance to the Insurance Frauds Bureau in connection with its investigations or in connection with investigations conducted jointly by the Bureau and other law enforcement agencies;

- Facilitating the collection of fraud data by providing that the Insurance Frauds Bureau shall act as the collection resource for such data;

- Increasing civil penalties for knowing possession, transfer or use of fraudulent insurance documents;

- Defining a new series of crimes relating to insurance fraud that involve false entries upon the books of account of insurers or in reports or documents submitted to regulatory officials or embezzlement from insurers, and also of new crimes involving threats or force or the use of threatening letters or communications to corruptly influence, obstruct or impede the proper administration of the Insurance Law;

- Prohibiting the participation of individuals in the insurance business who have been convicted of felonies involving dishonesty, breach of trust or other violations of Article 176 of the Penal Law unless such persons first obtain the written consent of the Superintendent of Insurance for such activities;

- Including the Superintendent of Insurance as a member *ex officio* of the Motor Vehicle Theft and Insurance Fraud Prevention Board and permit state agencies to be eligible for grants from the fund administered by such Board;

- Amending Section 2111 of the Insurance Law to prohibit a revoked licensee from becoming employed in any capacity by an entity subject to the provisions of Article 21 without the prior written approval of the Superintendent;

- Increasing penalties in the Vehicle and Traffic Law to reduce the number of uninsured or unlicensed motorists driving in New York State;

- Requiring no-fault and workers' compensation insurers to provide explanations of benefits in response to claims filed for heath care services under those programs; and

- Upgrading the status of Insurance Frauds Bureau investigators from peace officers to police officers, enabling them to act independently in the execution of such tasks as search and arrest warrants, court orders relating to electronic surveillance and summary arrests.

VIII. Appendices

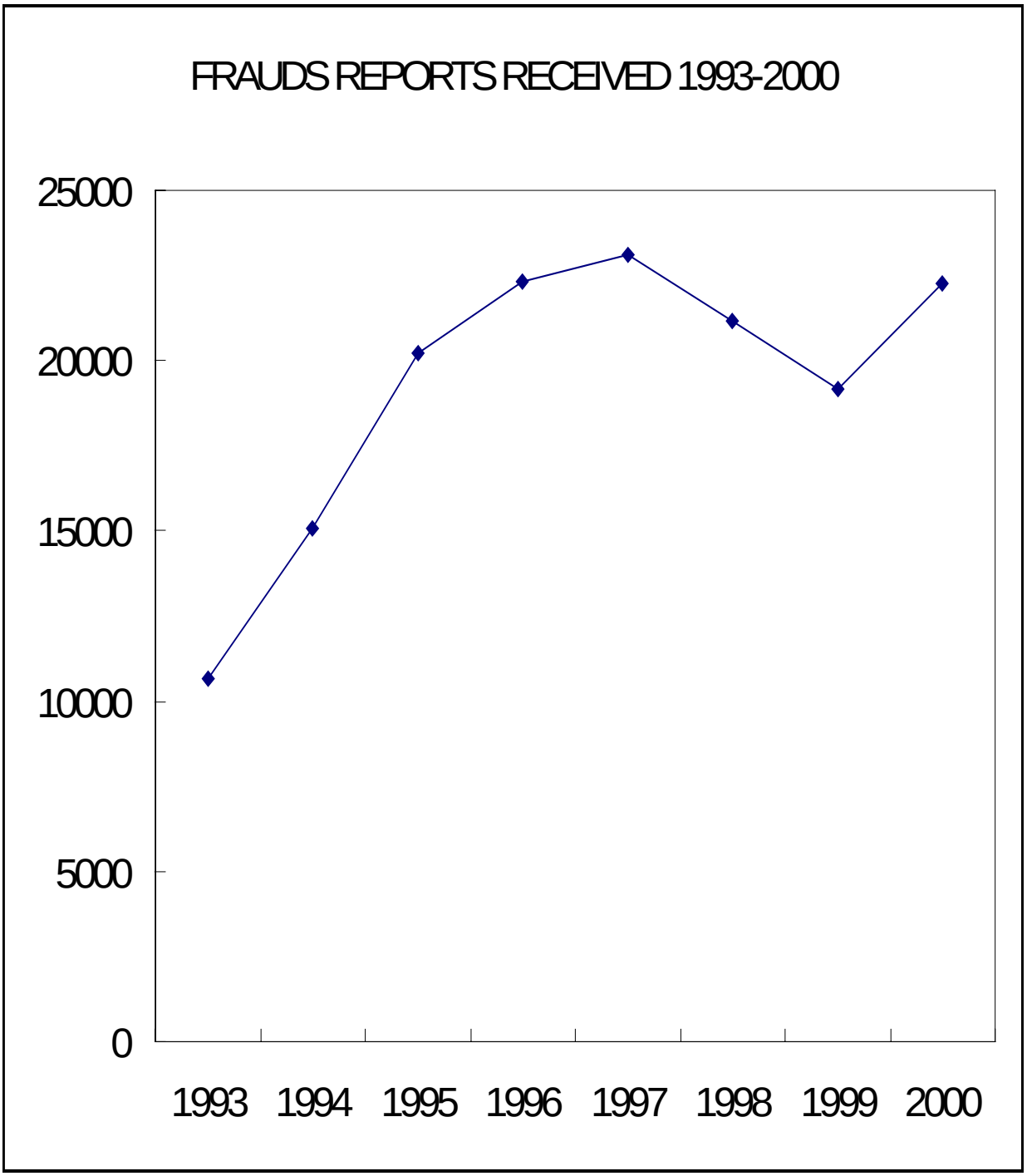
Comparative Statistics

FRAUDS REPORTS RECEIVED, BY TYPE

	1995	1996	1997	1998	1999	2000
Auto Theft	2,373	2,646	2,674	2,234	2,015	1,696
Auto Fire	165	268	253	262	310	313
Theft From Auto	341	165	130	119	119	65
Auto Vandalism	252	447	427	281	236	260
Auto Collision Damage	2,078	2,134	2,025	1,517	1,097	1,064
Auto Fraudulent Bills	177	43	55	45	28	33
Auto I. D. Cards	648	273	402	308	253	302
Auto Misc.	933	1,080	693	526	433	797
Fire - Residential	211	164	170	150	126	114
Fire - Commercial	52	67	49	57	58	34
Burglary - Residential	310	434	272	452	453	361
Burglary - Commercial	97	88	59	115	62	66
Homeowners	928	779	808	620	340	258
Larceny	103	206	304	67	34	12
Lost Property	28	21	45	59	77	74

FRAUDS REPORTS RECEIVED, BY TYPE (Continued)

	1995	1996	1997	1998	1999	2000
Robbery	14	26	3	11	16	15
Bonds	5	11	18	9	2	2
Life Insurance	27	32	68	66	95	65
Disability Insurance	41	173	91	70	102	82
Workers' Compensation	851	758	698	661	798	862
Health Accident Insurance	4,712	5,841	5,457	2,637	2,359	2205
No-Fault Auto Insurance	4,393	5,214	7,042	9,659	9,191	12,372
Ocean Marine Insurance	35	19	49	38	24	21
Reinsurance	0	1	0	0	0	0
Appraisers/Adjusters	8	11	27	6	10	12
Agents	65	50	63	49	50	36
Brokers	74	50	55	75	87	59
Ins. Company Employees	2	3	14	7	6	5
Insurance Companies	0	9	8	2	2	3
Miscellaneous	549	413	520	358	242	183
Unassigned	733	917	634	710	571	876
Totals	20,205	22,343	23,113	21,170	19,196	22,247

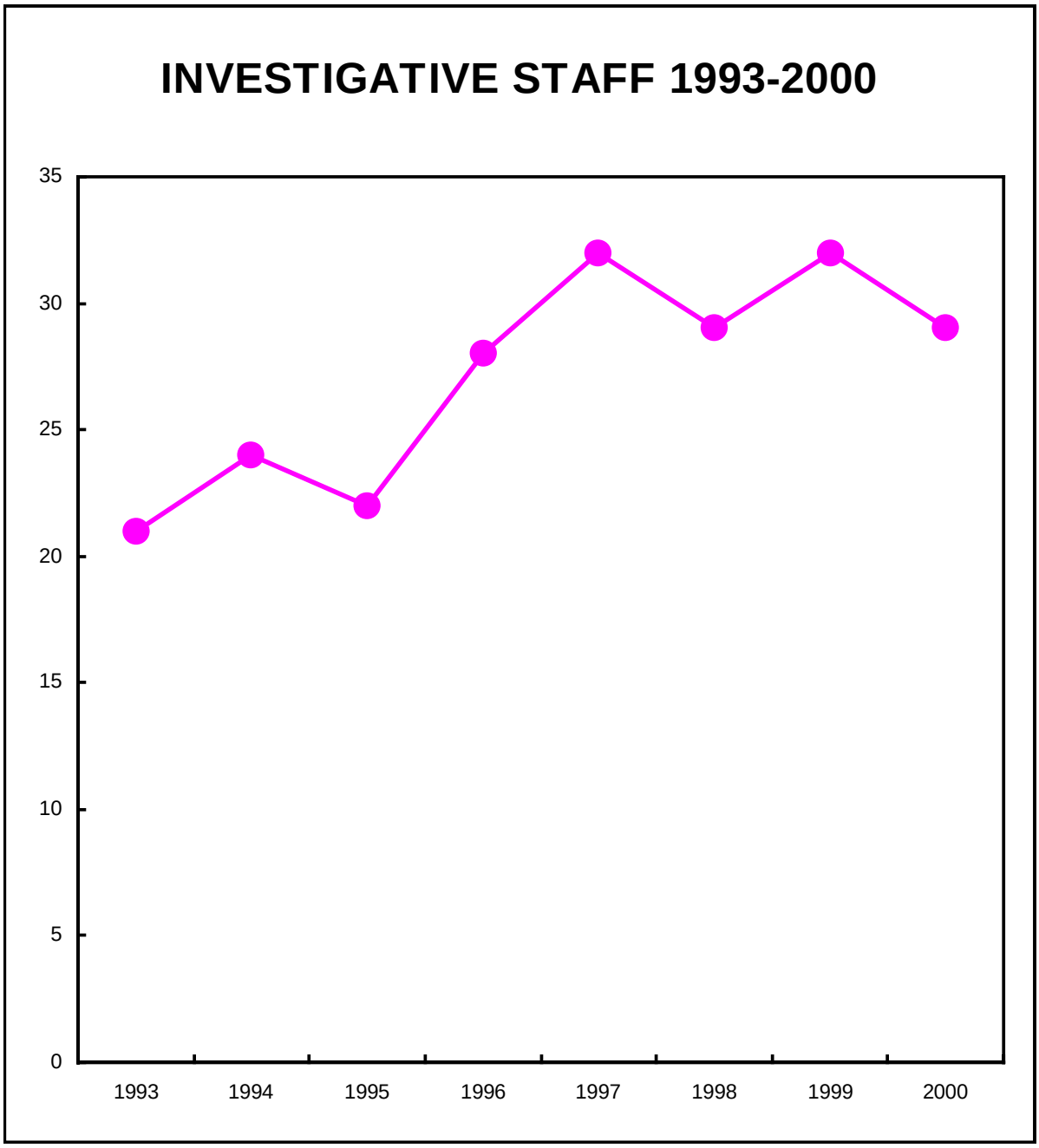

FRAUDS REPORTS RECEIVED 1993-2000
25000
20000
15000
10000
5000
0
1993
1994
1995
1996
1997
1998
1999
2000

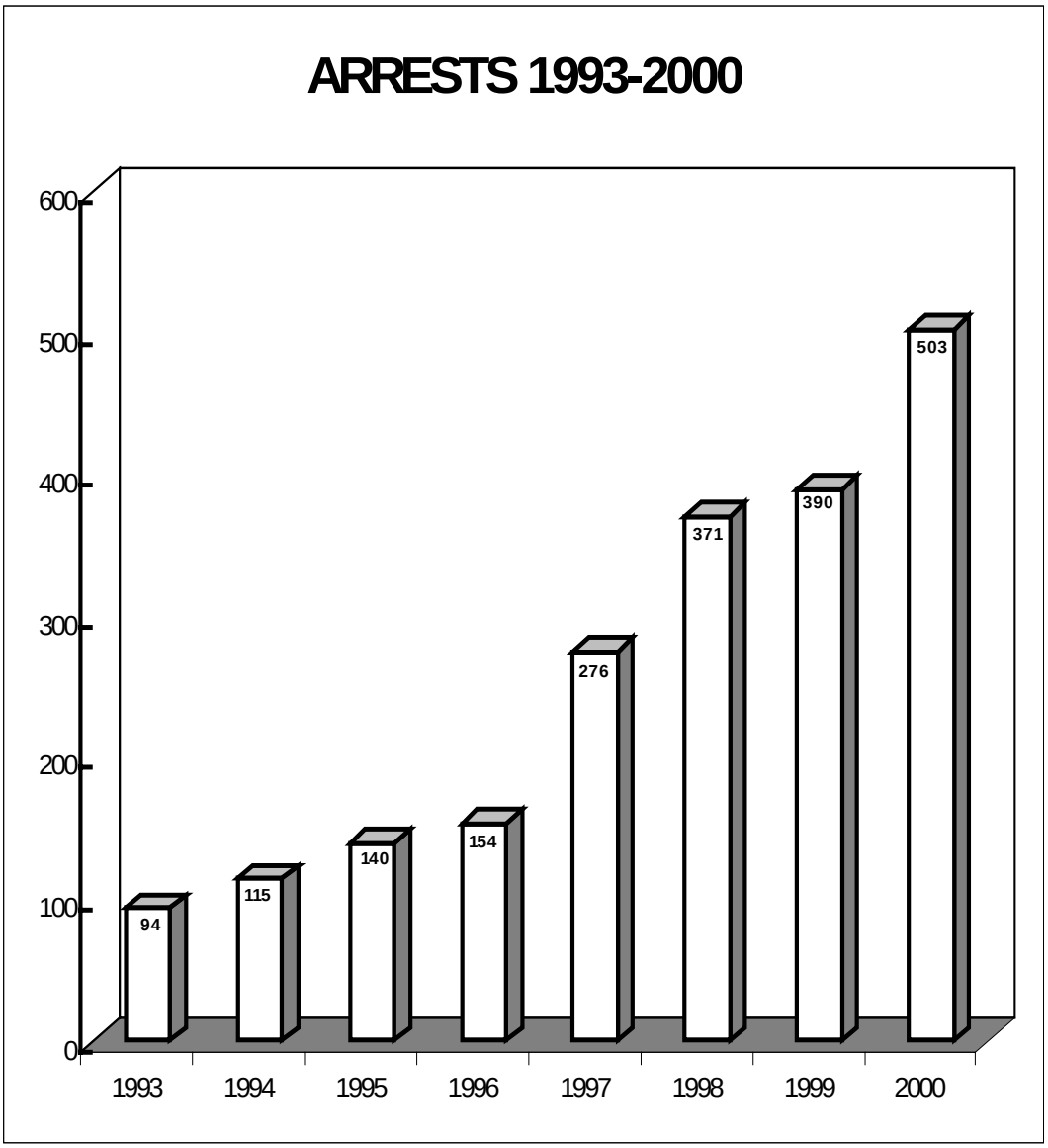
IFB INVESTIGATIONS OPENED, BY TYPE

	1995	1996	1997	1998	1999	2000
Auto Theft	111	112	98	77	79	60
Auto Fire	13	12	10	12	12	10
Theft From Auto	7	9	5	12	7	2
Auto Vandalism	5	26	25	3	10	13
Auto Collision Damage	38	101	96	46	35	29
Auto Fraudulent Bills	25	9	5	4	5	7
Auto I.D. Cards	349	248	336	218	160	65
Auto Misc.	308	318	24	76	23	12
Fire - Residential	28	48	53	33	15	11
Fire - Commercial	10	30	17	15	16	5
Burglary - Residential	32	25	34	15	17	21
Burglary - Commercial	11	15	12	9	3	5
Homeowners	27	48	46	27	29	18
Larceny	7	21	22	8	6	4
Lost Property	1	1	4	5	0	0
Robbery	2	4	0	1	2	1
Bonds	4	9	11	8	0	1

IFB INVESTIGATIONS OPENED, BY TYPE (Continued)

	1995	1996	1997	1998	1999	2000
Life Insurance	6	10	11	13	17	5
Disability Ins.	12	28	41	14	18	17
Workers' Compensation	66	105	408	415	527	527
Health Accident Insurance	190	462	161	97	65	55
No-Fault Auto Insurance	82	195	295	132	127	88
Ocean Marine Insurance	4	0	9	0	5	3
Reinsurance	0	0	0	0	0	0
Appraisers/Adjusters	4	8	18	3	2	4
Agents	30	30	26	26	18	6
Brokers	33	22	19	17	9	11
Ins. Company Employees	2	2	8	3	3	2
Insurance Companies	0	8	2	0	0	0
Miscellaneous	31	28	37	28	28	22
Totals	1,438	1,934	1,833	1,317	1238	1,004


INVESTIGATIVE STAFF 1993-2000
35
30
25
20
15
10
5
0
1993
1994
1995
1996
1997
1998
1999
2000


ARRESTS 1993-2000
600
500
400
300
200
100
0
94
115
140
154
276
371
390
503
1993
1994
1995
1996
1997
1998
1999
2000

Civil Enforcement Program:

	1996	1997	1998	1999	2000
Fines Proposed	$839,559.78	$728,275.00	$365,070.74	$610,041.45	$499,019.85
Reduction After Proposal	0	0	0	0	0
Gross Fines Proposed	$839,559.78	$728,275.00	$365,070.74	$610,041.45	$499,019.85
Pending Criminal	0	0	0	0	0
Net Fines Proposed	$839,559.78	$728,275.00	$365,070.74	$610.041.45	$499,019.85
Settlements With IFB	$265,009.41	$109,607.07	$ 93,904.12	$230,096.54	$305,718.06
Hearing Determinations	$728,390.23	$454,972.50	$219,494.11	$73,914.00	$9,000
Total Fines Imposed	$993,399.64	$564,579.57	$313,398.23	$304,010.54	$314,718.06
Proposals Sent By IFB	553	157	118	127	77
Settlements With IFB	375	109	44	64	48
Cases Forwarded to OGC	186	181	53	70	36
Hearings Held	98	176	1	2	1
Determinations	96	108	27	35	24
Cases Sent To AG for collection	49	69	2	0	0

Miscellaneous Statistics:

I. Technical and Monetary Contributions

During 2000, the Bureau requested and received $30,100 from various insurance companies. These funds were allocated in connection with joint investigations conducted under the supervision of local district attorneys.

II. Civil Penalties

Civil Penalties totaling $312.018.06 were imposed in 44 cases under Insurance Law Section 403 in 2000, and $2,700 in 5 cases under Section 2133.

Insurance Frauds Bureau
Continuing Education Program
for Department Staff, Insurers and Law Enforcement
2000

Date	Group	Location	Nuumber of Attendees
01/28/00	NYPD Auto Crime Training School	New York, NY	14
02/15/00	NYS Sheriff's Association	Capitol Dist., NY	150
02/18/00	NYPD Auto Crime Training School	New York, NY	26
03/10/00	NYPD Auto Crime Training School	New York, NY	43
03/22/00	Southern Tier Claims Association	Vestal, NY	32
03/22/00	Columbia Life Insurance Company	Binghamton, NY	20
03/22/00	NYPD Auto Crime Training School	New York, NY	19
03/27/00	NYS Office of Fire Prevention & Control	Montour Falls, NY	36
04/07/00	NYPD Auto Crime Training School	New York, NY	17
04/18/00	NY Anti Car Theft & Fraud Association	Binghamton, NY	30
04/21/00	NYPD Auto Crime Training School	New York, NY	14
05/05/00	NYPD Auto Crime Training School	New York, NY	11
05/08/00	IFB Frauds Conference	New York, NY	250
05/11/00	Blue Cross & Blue Shield of Rochester	Rochester, NY	30
05/16/00	Lancer Insurance Company	Plainview, NY	80
05/23/00	NYS Office of Fire Prevention & Control	Montour Falls, NY	12
95/26/00	NYPD Auto Crime Training School	New York, NY	30
06/09/00	ACE USA Insurance Company	Getzville, NY	20
06/12/00	Institute of Internal Auditors	New York, NY	100
06/12/00	NYS Academy of Fire Science	Montour Falls, NY	20
06/21/00	NNY Insurance Department Health Bureau	New York, NY	55
06/23/00	NYPD Auto Crime Training School	New York, NY	15
07/20/00	NY Anti Car Theft & Fraud Association	Syracuse, NY	35
08/01/00	Summer College for District Attorney's	Syracuse, NY	50
08/16/00	Blue Cross & Blue Shield of Rochester	Rochester, NY	20
09/21/00	First Rehabilitation Life Insurance Company	Mineola, NY	30
09/21/00	NYPD Auto Crime School	New York, NY	91
09/26/00	NY Anti Car Theft & Fraud Association	New York, NY	75
09/29/00	NYPD Auto Crime Training School	New York, NY	18
10/06/00	NYPD Auto Crime Training School	New York, NY	20
10/23/00	NYS Office of Fire Prevention & Control	Montour Falls, NY	31
10/24/00	NYS Insurance Department Life Bureau	New York, NY	50
10/26/00	New York Central Mutual Fire Ins. Co.	Edmeston, NY	70
10/26/00	Zurich Insurance Company	Melville, NY	55
11/02/00	NYS Office of Fire Prevention & Control	Montour Falls, NY	290

11/07/00	Blue Cross and Blue Shield of Rochester	Rochester, NY	30
11/07/00	NY Anti Car Theft & Fraud Association	Tarrytown, NY	100
11/09/00	IFB Frauds Conference	New York, NY	250
11/11/00	Monroe Comm. College Recruit Police Ofcrs.	Rochester, NY	25
11/15/00	Rockland County Police Academy	Pomona, NY	66
11/24/00	NYPD Auto Crime Training School	Queens, NY	18
11/28/00	Department of Criminal Justice Services	Saratoga, NY	70
11/30/00	NYID Consumer Services Conference	New York, NY	250
12/01/00	NYPD Auto Crime Training School	Queens, NY	22
12/06/00	The Hartford Insurance Company	Pomona, NY	80
120/8/00	NYPD Auto Crime Training School	Queens, NY	21
12/12/00	USAA Insurance	Somerset, NJ	70
12/18/00	New York City Police Department Staff	Bronx, NY	35
12/18/00	New York City Police Department Staff	Bronx, NY	31
TOTAL	**49 insurers/law enforcement agencies**		**2,925 participants**

Approved Fraud Prevention Plans:

Acceptance
Aetna
AFLAC
Agway
AIG
Allianz/Preferred
Allmerica Financial
Allstate
Allstate Life
Amalgamated Life
American Agent
American Medical
American Progressive
American Transit
AMEX Assurance
Amica Mutual
Anthem Blue Cross & Blue Shield
Assurant (American Bankers/Bankers America)
Atlantic Casualty
Atlantic Mutual
AUSA
Balboa
Blue Cross – Rochester
Blue Ridge
Capital District Physicians
Central Insurance
CGU
Chubb Group
CIGNA
CIGNA – INA LIFE
CIGNA (ACE USA)
Clarendon
CNA
Colonial Penn
Combined Life
Conseco
Country-Wide
Crum & Forster Insurance
CUNA Mutual
Dairyland (Sentry)
Delta Dental
Eagle (Robert Plan)
Electric Insurance
Empire Blue Cross
Empire Insurance Company
Erie Insurance Group
Eveready
Family Farm
FICO
Fireman Fund
First Ameritas
First Fortis Life
First Rehabilitation
First Reliance
First United American
Freemont
GEICO Direct
Gerber
GHI
Great American
Great Western
Guardian
Harleysville
Hartford Life
HealthCare Plan
Highlands
HIP Health
Horizon
IDS Life
Independent Health
Infinity
Integrity (Empire Plan)
Integrity Plus (United Health Care
Integrity-Plus(United Health Care of New York)
Interboro
ITT
John Hancock
Kemper
Lancer
Leader
Legion
Liberty Mutual (Three Parts)
a) Personal Lines
b) Disability
c) Commercial
Mass Mutual-
Massachusetts Casualty
MDNY
Merchants & Business Men's
Merchants Insurance
Met Life
Met Life Property
Metroplus
Michigan Millers

MSI-Mutual Service Life
Mutual of Omaha
MVP Health
National General
National Grange Mutual
Nationwide
New York Care Plus - BC & BS
New York Central Mutual
New York Life
North Star
Northwestern Mutual
Nova
Ohio Casualty
Oxford Health
Peerless-
Phoenix Home Life
Physician Health Service
Preferred Care
Preferred Mutual
Princeton Insurance Companies
Principal Life
Progressive Casualty
Provident
Provident Washington
Prudential Insurance
PSM
Reliance
ReliaStar Life
Response
Royal And SunAlliance
Safeco
SBLI
Security Mutual
Selective Insurance
St Paul
Standard Security
State Farm
State Insurance Fund
State-Wide
Sun Life
Teachers
Travelers
Tri-State Consumers
Trustmark
U S Life
Union Fidelity
Union Labor Life (ULLICO**)**
Upstate NY)
USSA
Utica Mutual
VYTRA
WellCare
Western New York
Windsor
XL Specialty Insurance
Zurich US

Total Plans 145

Insurance Frauds Bureau Staff – December 31, 2000:

NEW YORK CITY OFFICE

Director

Assistant Director

Principal Investigator

5 Associate Investigators

9 Senior Investigators

4 Investigators

Senior Insurance Examiner

2 Insurance Examiners

Assistant Director of Research

Secretary I

Calculations Clerk 2

3 Keyboard Specialists

ALBANY OFFICE
3 Investigators

BUFFALO OFFICE
2 Senior Investigators

ROCHESTER OFFICE
Senior Investigator

SYRACUSE OFFICE
Associate Investigator
Investigator

ONEONTA OFFICE
Senior Investigator

MINEOLA OFFICE
Associate Investigator
5 Senior Investigators
3 Investigators

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Mineola, NY 11501
(516) 248-5870
FAX # (516) 248-5727

Circular Letters:

The Department issued Circular Letter No. 10 on March 10, 2000 notifying all licensed insurers that the Department has established an electronic system for reporting incidents of suspected insurance fraud. The purpose of the Circular Letter is to inform the insurance industry how the system operates and encourage insurers to take advantage of this innovative method of fraud reporting. In addition to the advantage of transmitting fraud information in real time, the system has a valuable cross-reference feature that allows access to all other reports in the Frauds Bureau database that share information with the report just transmitted (*e.g.*, the same name and/or address or other matching data.

On December 11, 2000, the Insurance Department issued Circular Letter No. 32 informing all insurers of the changes in qualifications for employment in insurance company Special Investigations Units, as set forth in Chapter 509 of the Laws of 2000. The Department has initiated the promulgation of the Third Amendment to Regulation 95 to bring the Regulation into conformity with the provisions of Chapter 509. However, the Circular Letter advises insurers that the Law became effective on October 4, 2000. Therefore, all individuals acting as investigators in insurer Special Investigations Units on or after that date will be evaluated based on the new criteria.