



STATE OF NEW YORK  
INSURANCE DEPARTMENT  
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George E. Pataki  
Governor

Gregory V. Serio  
Superintendent  
January 15, 2004

To the Governor and the Legislature:

I am pleased to submit the Annual Report of the Superintendent of Insurance on the operations of the Insurance Frauds Prevention Act and the activities of the Insurance Frauds Bureau in 2003. The report chronicles a number of significant achievements over the past year and illustrates the Bureau's longstanding commitment to combating insurance fraud in New York State.

The Frauds Bureau, with a total of 811 arrests, set a new record in 2003, topping last year's record by almost 15%. The Bureau also expanded its initiative that puts investigators in prosecutors' offices to work side-by-side with their investigative staffs. These efforts in building and broadening our relationships with police officials and prosecutors across the State have paid dividends. Multi-agency investigations have become routine, as law enforcement agencies on all levels increasingly work together to combat insurance fraud.

However, no-fault fraud and abuse continue to dominate the insurance scene in New York State. In an effort to curb this trend, the Frauds Bureau underwent a restructuring in mid-year, a move that now directs more of its resources toward preventing no-fault fraud. Moreover, as part of an effort to help control insurance premiums in Brooklyn, the Frauds Bureau has relocated a team of no-fault investigators from the Organized/No-Fault/Auto Unit in Manhattan to an office in downtown Brooklyn.

In addition, the Department scored a major victory on the regulatory front in October. A unanimous decision by the New York Court of Appeals affirmed the Superintendent's rulemaking authority in promulgating Regulation 68. The decision backed the Insurance Department on tightened notification procedures for reporting accidents and filing medical claims. Among other provisions, the Regulation reduces the time limit for filing a notice of claim from 90 to 30 days and also reduces the time for submitting medical bills from 180 to 45 days.

Now, with Regulation 68 firmly in place, the transition to the new structure of the Bureau complete, and our electronic reporting blueprint in its final stages, we look forward to the job before us with renewed commitment, and we welcome the opportunity to serve the people of New York State.

Respectfully,

Gregory V. Serio  
Superintendent of Insurance

*The Annual 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)*

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# ***I. Insurance Frauds Bureau 2003 Highlights***

*The Frauds Bureau gained new leadership in January with the appointment of a new Director and Deputy Director. In addition, the Bureau's Assistant Counsel was named Deputy Director and Counsel.*

*The Frauds Bureau, with a total of 811 arrests, set a new record in 2003, topping last year's record by almost 15%. Moreover, arrests have shown a steady increase, rising by more than 108% over the past five years.*

*The Frauds Bureau underwent a restructuring during 2003, combining the Auto and No-Fault Units into one Organized/No-Fault/Auto Unit to make more effective use of its resources. In addition, a Supervising Investigator was named to the position of Statewide Auto Unit Coordinator.*

*Awards were presented to two Frauds Bureau investigators in January by Roslynn R. Mauskopf, U.S. Attorney for the Eastern District of New York, in recognition of "their diligent investigation of a fraud scheme that led to 35 federal felony convictions."*

*An investigation by the Frauds Bureau, the Suffolk District Attorney's Office, the NICB and the State Police led to the indictment of 85 physicians, psychologists, chiropractors, attorneys, medical clinic owners and others in the first stage of what may be the largest no-fault fraud scheme ever prosecuted in New York State.*

*In December, Director Bardong received the Manager of the Year 2003 Award from OneBeacon Insurance Company in recognition and appreciation of his leadership and commitment to fight insurance fraud in New York State.*

*The Bureau expanded a program that puts our investigators in prosecutors' offices to work side-by-side with their investigative staff. The initiative helps to ensure that our cases are given due consideration. Thus far, eight DAs' Offices are involved in the program and several others have expressed interest.*

*In July, two Fraud Bureau investigators were named "Enforcement Officers of the Quarter" by OneBeacon Insurance Company for the successful collaboration on several insurance fraud cases with the insurer's Special Investigations Unit.*

*A unanimous decision by the New York Court of Appeals on October 21 affirmed the Superintendent's rulemaking authority in promulgating Regulation 68. Among other revisions, the Regulation reduces the time for filing an injury claim from 90 to 30 days and also reduces the time for submitting medical bills from 180 to 45 days.*

## ***II. The Insurance Frauds Bureau***

The Frauds Bureau gained new leadership in 2003 when Superintendent Serio made three appointments in January. The Superintendent named Charles A. Bardong Director of the Bureau, Nicholas DiMuro Deputy Director and Hazel L. Stewart Deputy Director and Counsel.



photo above, Superintendent Serio congratulates Mr. Bardong following his swearing-in ceremony.

Mr. Bardong joined the Insurance Department from the Moreland Act Commission on New York City Schools where he was Chief Investigator. His previous experience includes service as Deputy Chief of the New York State Inspector General's Office and 22 years with the New York City Police Department where he rose to the rank of Lieutenant. At the NYPD, Mr. Bardong was assigned to the Manhattan District Attorney's Squad, supervising and directing more than 40 detectives involved in long-term investigations of organized crime, bank and securities fraud, forgery and homicide. In the

Nicholas DiMuro brings to the Department 30 years of training and experience with the New York City Police Department, last serving as Captain. While at the NYPD, he supervised investigations in three Bronx Commands, directing all police activities in serious crimes and emergencies.

Hazel Stewart came to the Insurance Department in July 2001 as Assistant Counsel in the Frauds Bureau. Ms. Stewart had 20 years of law enforcement experience with the NYPD with more than 15 of them in a managerial capacity. She served as Commanding Officer of several high-profile investigative and uniform patrol commands, and attained the rank of Captain.

With new leadership in place and a dedicated, professional staff, the Bureau scored many accomplishments during the past year, including a record-setting 811 arrests. The Bureau also continued its team-building efforts with the industry and law enforcement agencies across the State.

- **Multi-Agency Investigations** – Our statewide approach to combating insurance fraud was evident in the number of multi-agency investigations conducted with law enforcement agencies on the federal, state and local levels. The results of our efforts have been noteworthy. We continued to pool resources to a greater extent than at any time in the past and law enforcement officials from every branch of government regularly seek our assistance in the development and investigation of their cases.

In addition to insurer Special Investigations Unit staff, we have worked successfully with the State Insurance Fund and the Workers' Compensation Inspector General's Office on workers' compensation fraud. We have teamed up with the NYPD's Fraudulent Accident Investigation Squad and their Auto Crime Division in the investigation of no-fault and other

auto-related insurance fraud. We have also worked hand-in-hand with the FBI, the U.S. Attorney's Office, the New York State Attorney General's Office and the State Police and provided assistance to local police departments and sheriffs' offices throughout the State. In addition, routine contact and cooperation with District Attorney's Offices led to 324 convictions in Frauds Bureau cases in 2003.

A particular focus during the past year was the training of police recruits, since, as police officers, they are often the first to respond to the scene of an accident or other emergency. We provided training centered on the ways to recognize staged accidents and fraudulent identification cards and what to do when these situations arise. A number of training seminars were conducted for the New York City Police Department, as well as city and county police departments in many other communities.

- **Working Group/Task Force Participation** – The Bureau is an active participant in numerous task forces and working groups throughout New York State. The groups are designed to foster a spirit of teamwork and cooperation among the many agencies that share similar goals. Among the groups in which the Bureau participates are the following:

- The Brooklyn Automobile Insurance Task Force;
- The Rockland County Auto Crime Task Force;
- The Southern District World Trade Center Fraud Working Group;
- The Western District of New York Health Care Task Force;
- The Capital District Health Care Fraud Working Group;
- The Central New York Anti-Health Care Fraud Working Group;
- The Central New York White Collar Crime Working Group;
- The Western New York Inter-County Arson Reduction Usenet System (Project ICARUS); and
- The Onondaga County Fraud Insurance Strike Team (FIST).

### ***III. The Staff***

The Frauds Bureau has established an Entry-Level Training Program to address the needs of new investigators. In addition, investigators participate in an In-Service Training Program. Both programs, developed by the Bureau's Training Officer, comply 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 are seasoned professionals with a wealth of law enforcement experience and they often exceed the high standards set by the Department of Criminal Justice Services.

In addition, investigators, examiners and support staff routinely participate in training seminars and continuing education courses during the year. Some, such as Current Issues Seminars, Defensive Driving and Sexual Harassment Prevention, are given in-house. Many others are provided by outside sponsors such as the American Management Association, John Jay College of Criminal Justice and the New York Anti Car Theft and Fraud Association, among others. These training sessions help ensure that our staff keep current with emerging developments in fraud fighting.

Our Training Officer also completed a 12-day course presented by the New York City Police Department that qualifies him as a Certified Firearms Instructor and he oversees the annual firearms recertification required by Penal Law Article 15, "Justification: Use of Physical Force." He provides investigators in our New York City headquarters as well as our six satellite offices with appropriate instruction for their firearms proficiency.

Pictured at right are Frauds Bureau investigators at firearms training in September. While the Department of Criminal Justice Services requires yearly recertification, all Frauds Bureau investigators must recertify twice a year, demonstrating the importance the Bureau attaches to the responsibility of carrying and using firearms.



#### ***IV. The Year in Review***

##### **A. Major Cases**

Several major investigations, as well as numerous arrests that resulted from the day-to-day investigations conducted by Frauds Bureau investigators, contributed to the record-breaking number of arrests during 2003. Some of these cases are summarized below.

##### **January**

##### **NO PROTECTION**

- ◆ Five Rockland County landscapers were accused of operating businesses without securing workers' compensation and other insurance coverage for their employees. The Frauds Bureau and the Workers' Compensation Board conducted a sting operation that included video surveillance showing the landscapers hiring and using about 20 immigrant day laborers. The landscapers fraudulently affirmed in forms submitted to the Workers' Compensation Board that they had no employees, in an effort to bypass New York State Law requiring all business owners to provide insurance to protect workers injured on the job. The Workers' Compensation Inspector General's Office, the Rockland County DA's Office and the Clarkstown Police Department also provided assistance in the investigation.

##### **23-COUNT INDICTMENT**

- ◆ An investigation by the Frauds Bureau, the Nassau County DA's Office, the Department of Motor Vehicles and a number of insurers led to an indictment against a Long Island body shop, its owner/operator and its manager. According to the indictment, the defendants engaged in systematically enhancing the damages to vehicles or failing to do the repair work for which they were paid. The nine incidents covered by the indictment include five claims involving vehicles insured by Progressive Insurance Company, in which the damages claimed by the defendants were inconsistent with the accidents those vehicles were involved in. In several instances, parts on the autos appeared to have been cut with a sharp object, while others seemed to have been damaged by repeated blows rather than the impact of an

accident. Progressive estimates that the claims from these five incidents were inflated by more than \$10,000. The other incidents included two claims on vehicles insured by USAA Insurance Company totaling more than \$11,000 for repairs that were never done; a charge of over \$3,000 to CGU Insurance Company to replace a custom-made bar on a Lincoln Town Car although the bar had not been damaged in the accident; and a charge of \$2,000 to Liberty Mutual Insurance Company for repairs on a Jeep Cherokee that were not done.

## **February**

### **WORLD TRADE CENTER FRAUD**

- ◆ A Broome County man turned himself in on 2/25/03 to a Frauds Bureau investigator for arrest on charges of attempting to defraud Combined Life Insurance Company of \$20,000. The defendant filed a death benefits claim stating that his daughter died in the attack of September 11. However, his ex-wife informed the Frauds Bureau's Syracuse Office that their daughter was alive and living outside New York State. The investigation that led to his arrest was conducted by the Frauds Bureau with the assistance of the Broome County Sheriff's Office and the Broome County DA's Office.

### **OH, DEER**

- ◆ A Syracuse woman reported that her S.U.V. overturned after she hit a deer on 12/23/02. She subsequently received a claim settlement of \$13,211 from Travelers Insurance Company. However, an investigation revealed that her vehicle had overturned but the accident did not involve a deer. Apparently, when her insurance agent informed her that the accident would not be covered because she did not have collision insurance, she allegedly placed deer hair on the vehicle in an attempt to have the accident covered under her comprehensive coverage. When confronted, the defendant confessed to the State Police who conducted the investigation with the Frauds Bureau.

### **NOT ABOVE THE LAW**

- ◆ Leonard Krouner, Esq., of Loudonville, NY, was sentenced on May 12, 2003 to six months in Albany County jail, five years' probation and 1,000 hours of community service in connection with his role in defrauding three insurers of more than \$97,000. Krouner pled guilty in February 2003 to insurance fraud, grand larceny and workers' compensation fraud. As part of his plea, he surrendered his law license in New York, Florida and Washington, D.C. and resigned from his post as a Hearing Officer with the State Board of Education. In addition, he made restitution of \$97,221 to the three insurers involved. An investigation by the Frauds Bureau, the Albany County DA's Office and UNUM Provident Corporation's SIU led to his arrest.

### **IN HARM'S WAY**

- ◆ An upstate man was charged with insurance fraud, arson, grand larceny and reckless endangerment for setting fire to a vacant house in Watervliet, NY, in an attempt to collect an insurance settlement. His ex-girlfriend, who cooperated in the investigation, led the police to the suspect. Two firefighters, unaware that the house was vacant, were inside when the floor gave out. They escaped the burning building with the help of other firefighters.



## **March**

### **MURDER**

- ◆ A Brooklyn man was accused of attempting to stage an accident that resulted in the death of a Queens grandmother. He was charged with murder in the 2<sup>nd</sup> degree, manslaughter in the 2<sup>nd</sup> degree, criminally negligent homicide and conspiracy to commit insurance fraud. It was alleged that the defendant intentionally drove his car into the car being driven by the victim, causing her to lose control and crash into a tree. Also arrested was a woman accused of assisting the Brooklyn man in fleeing the scene of the accident. She also allegedly had a fraudulent driver's license and welfare card. She was charged with forgery in the 2<sup>nd</sup> degree, criminal possession of a forged instrument in the 2<sup>nd</sup> degree, criminal possession of forged devices and hindering a prosecution in the 2<sup>nd</sup> degree. The Frauds Bureau, the Queens District Attorney's Office and the NYPD's Fraudulent Accident Investigation Squad pooled resources in this investigation.

### **WORKERS' COMP SWEEP**

- ◆ In a sweep conducted during two separate days, six Queens residents, including a bus driver, an insurance agent and a bus maintenance worker, were arrested on charges that they defrauded the workers' compensation system by claiming they had been injured and unable to work when in fact they were gainfully employed. They allegedly cheated the system of more than \$68,000. The investigation was conducted by the Frauds Bureau, the Queens DA's Office, the Workers' Compensation Fraud Inspector General's Office and New York City Transit.

### **SENIOR SCAM**

- ◆ An investigation by the Frauds Bureau, the New York State Police and the Erie County DA's Office resulted in the arrest of a former insurance agent. It was alleged that between July 25 and December 7, 2000, the ex-agent took a total of \$31,729 from four elderly clients, all of whom were in their 70's. Acting as their financial advisor, the defendant was supposed to reinvest the money but instead he deposited it into his personal account. He pled guilty in Erie County Court in June to grand larceny and scheme to defraud.

## **April**

### **CAN YOU HEAR ME NOW?**

- ◆ An Elmira audiologist and owner of an audiology services company was charged with performing audiology testing after his license to practice was suspended in 2002 for conviction of grand larceny and tax evasion. He allegedly forged the initials of other licensed audiologists on the test records and then billed the patients' Medicare coverage for the procedures. Following an investigation by the Frauds Bureau, the suspect was arrested on a warrant by the Broome County Sheriff's Department.

### **HUSBAND AND WIFE**

- ◆ The husband in this case, a licensed life insurance agent, reported to the Webster Police Department that after returning home from a get-away weekend in January 2003, he and his wife discovered that their home had been broken into and a number of personal belongings

stolen. They filed a claim for \$35,000 with Allstate Insurance Company for the loss. However, an investigation by the Frauds Bureau, the Webster Police Department and Allstate's Special Investigations Unit revealed that their home had not been burglarized and the claim was fraudulent. The investigation was initiated after the Webster Police Department became suspicious of a possible staged burglary.

## **May**

### **GAMING THE SYSTEM**

- ◆ In July 1999, a Buffalo man was injured while working as a cement finisher at a construction company and filed for workers' compensation benefits from Zurich Insurance Company. In April 2002, his doctor certified that he was able to return to work and he allegedly took a job as a cement finisher at another construction company. However, he did not notify Zurich and continued to collect \$4,800 in benefits to which he was not entitled. An investigation by the Frauds Bureau, the New York State Police and the Erie County DA's Office led to his arrest.

### **MOTORCYCLE GANG**

- ◆ Three members of a fraud ring based in the Bronx were arrested on charges that they submitted at least 14 property damage claims to insurers for motorcycle accidents that never occurred. The insurers involved paid out more than \$85,000 on the phony claims. One of the defendants, the registered owner of one of the motorcycles used in the scam, recruited individuals to file claims with their insurers stating that their autos were involved in accidents with motorcycles. Another defendant is the registered owner of a motorcycle that was used in four bogus accidents. The third defendant is the owner of an auto repair shop where most of the motorcycles were examined by insurance company appraisers and where the motorcycles were "repaired." These arrests were the result of a long-term investigation conducted by the Frauds Bureau and the Attorney General's Office in which nine other defendants were previously charged with insurance fraud, grand larceny and related crimes.

## **June**

### **SWEEPING UP**

- ◆ Detectives from the Suffolk County DA's Office, working with Frauds Bureau investigators, the State Insurance Fund and the Workers' Compensation Inspector General, arrested 18 people for defrauding the State's workers' compensation system. Among those arrested were two teachers, the owner/operator of a limousine service, and a chiropractor who alone was responsible for the theft of almost half the \$550,000 stolen in the various schemes. Over a 21-month period from November 1998 through August 2000, the chiropractor collected \$273,000 in disability benefits, claiming that headaches, hypertension and back pain prevented him from working in his profession. However, the investigation revealed that during that time, he was the sole owner of a corporation that collected more than \$500,000 annually from therapists and other professionals who leased space at his treatment center. Another suspect, a middle school math teacher, cashed her husband's benefit checks for nearly three years after his death, illegally collecting more than \$58,800.

## **TARGETING NO-FAULT FRAUD**

- ◆ An investigation by the Frauds Bureau, the Attorney General/Special Prosecutor's Office, the New York City Health and Hospitals Corporation Inspector General's Office, the New York City Department of Investigations and the City of New York Hospital Police led to the arrest of 19 members of two insurance fraud rings operating in Queens and Nassau Counties. Those arrested include three personal injury attorneys, two former NYPD police officers, two insurance brokers, several middlemen or "steerers," and the operators of various medical clinics. According to the charges, the middlemen paid insurance brokers for confidential information about recent auto accident victims. Then, claiming to be affiliated with the Health and Hospitals Corporation or Elmhurst Hospital, they called the victims and steered them to corrupt medical clinics, encouraging them to fake or exaggerate their injuries. The clinics then allegedly billed insurers for treatment that was either unnecessary or never provided. The allegations also charged that victims were then steered to personal injury lawyers who filed fraudulent lawsuits. Using court-ordered wiretaps, investigators began eavesdropping on the steerers' telephone conversations with lawyers, clinic workers and staff at the insurance brokerage offices. This investigation is ongoing.

## **July**

### **CHEATING NURSE**

- ◆ An investigation by the Frauds Bureau, the State Insurance Fund and the Colonie Police Department led to the arrest of a registered nurse for defrauding the State Insurance Fund. From October 2001 to July 2003, the defendant collected more than \$28,800 in workers' compensation benefits while working as a private duty nurse earning between \$250 and \$350 a week. During that time, she submitted statements to the State Insurance Fund that misrepresented the seriousness of her disability and her employment status.

### **HOME FIRES BURNING**

- ◆ This suspect's home was destroyed by fire on July 28, 2002. He had been at his home with his two sons just prior to the fire. An investigation by the Frauds Bureau, the Orleans County Fire Investigation Team and the New York State Office of Fire Prevention and Control uncovered evidence that at least ten separate fires had been set inside the house. Before leaving the area, the suspect placed his children and their personal belongings in his car and re-entered the home to retrieve his cell phone. The investigation further revealed that his claim totaling \$120,000 filed with United Frontier Mutual Insurance Company contained a list of property allegedly lost in the fire that included the children's personal belongings. The claim was denied by the insurer.

## **August**

### **BUSTED!**

- ◆ The ringleader and four participants in a Queens-based fraud scheme were arrested for their involvement in the theft of luxury vehicles. Some vehicles were stolen off the street. Some were given up by their owners to collect the insurance settlements. Still others – in a scheme known as a "bust out" – were leased or financed on credit using the personal identification of persons who were leaving the country. Working undercover, members of the NYPD's Auto

Crime Division acted as buyers of the stolen vehicles and were instructed by the ringleader to ship the vehicles out of the country labeled as household goods or to change the vehicle identification numbers and return the vehicles to the street. Three members of the ring were charged with giving up their vehicles – a 1999 Mercedes Benz, a 2001 BMW and a 1998 Montero – and subsequently filing fraudulent insurance claims. Vehicles valued at \$500,000 were recovered, including a 2003 Hummer and a 2003 Mercedes Benz, each valued at \$100,000. The investigation began as a stolen auto case for the NYPD early in 2002 and was conducted jointly with the Frauds Bureau. The U.S. Customs Service also assisted in the investigation and the AG's Office is prosecuting the case.

### **BIG TIME NO-FAULT FRAUD**

- ◆ An eight-month investigation led to the indictment of 85 physicians, psychologists, chiropractors, attorneys, medical clinic owners and others in the first stage of what may be the largest no-fault insurance fraud scheme ever prosecuted in New York State. As many as 500 additional indictments are still to be unsealed in this case. In the alleged scheme, owners and managers of medical clinics paid "runners," or recruiters, to arrange automobile accidents. The runners recruited drivers to cause the accidents and passengers to ride in the cars. Usually, multiple passengers were recruited in order to maximize the profit per accident. Then potentially vulnerable drivers were targeted for the caused accidents. The runners directed the "victims" of the accidents to clinics owned by the ringleaders for bogus medical treatment. No-fault insurance claims were subsequently submitted for unnecessary treatment or services never provided. Medical bills can go as high as \$50,000 per passenger under New York law. In addition, these "victims" often filed fraudulent lawsuits against insurance companies alleging bodily injury. Based on the evidence reviewed, losses in this case are in the millions of dollars. The investigation was conducted by the Suffolk County DA's Insurance Crime Unit which consists of detectives and prosecutors from the DA's Office, the Frauds Bureau, the National Insurance Crime Bureau, the Attorney General's Office, the Suffolk County Police Department and the State Police.

### **FINANCIAL SHENANIGANS**

- ◆ The allegations in this case charge that the suspect, while acting in the capacity of a financial consultant, took \$76,400 from a client with the understanding that it would be placed in an annuity with National Life Insurance Company of Vermont. However, an investigation by the Frauds Bureau and the City of Rome Police Department revealed that the defendant put the money to his personal use and presented the client with false documents pertaining to the account. He made restitution of the full amount plus interest once the investigation began.

### **September**

### **GOTCHA!**

- ◆ In the first phase of an undercover investigation known as "Operation Gateway," 51 people, including one doctor, were arrested for their roles in a no-fault insurance fraud ring that defrauded insurers of tens of millions of dollars. The investigation began in August 2002 when the NYPD received a tip about a fraud ring operating in New York City. In November 2002, the NYPD requested the Frauds Bureau's assistance in the investigation. In this scheme, runners were paid up to \$2,500 for each person they recruited to pose as a victim of

an auto accident. Most of those arrested were recruits, each of whom was paid several hundred dollars to claim they were injured in an accident. The "victims" were then steered to medical facilities that were part of the scheme where unscrupulous doctors billed insurance companies for unnecessary treatment and lawyers filed bogus lawsuits. In this case, NYPD detectives, posing as insurance company representatives, contacted the suspects and told them they had been awarded an insurance settlement, but they had to go to a location in Queens to pick up the check in person. When they arrived, they were arrested and charged with fraud. The investigation was conducted by the Frauds Bureau, the NYPD, and the Brooklyn DA's Office. Also assisting in the investigation were Liberty Mutual, Kemper, MetLife, Allstate, Progressive, Clarendon, Continental, Eagle, GEICO, The Hartford, State Farm, Lancer, Nationwide, New York Central Mutual Fire, Statewide and Travelers Insurance Companies, The Robert Plan, and the Motor Vehicle Accident Indemnification Corporation. This is an ongoing investigation.

### **JAILER FACES JAIL**

- ◆ A Deputy Sheriff Jailer from Rochester was accused of submitting forged documents to Massachusetts Mutual Insurance Company and, representing himself as his uncle, obtaining a \$26,000 loan on his uncle's life insurance policy. He also submitted change-of-ownership forms to the insurer, giving himself full ownership of the policy. The investigation also revealed that the defendant was in possession of his uncle's car, which was reported stolen in August 2003, and in September he used forged documents to gain title to the vehicle. At the time of his arrest, he was suspended without pay from his job in the Sheriff's Office and ordered to surrender his pistol permit and all weapons. The investigation was conducted jointly by the Frauds Bureau, the State Police, the Monroe County Sheriff's Office and the Brighton Police Department.

### **October**

#### **DECADENT DECADE**

- ◆ Over a ten-year period following the death of his mother, a New York City man forged her signature and cashed \$108,000 in workers' compensation checks that were issued to her. The Frauds Bureau and the Manhattan DA's Office conducted this investigation jointly.

#### **SNOWPLOW OR NO PLOW?**

- ◆ The defendant in this case filed a claim with State Farm Insurance Company for a snowplow that he said was stolen. In support of his claim, he included a fraudulent receipt in the amount of \$3,471 for the purchase of the plow. However, he did not own a plow before he filed the claim but he did purchase one with the claim settlement from State Farm. An investigation by the Frauds Bureau and the Town of Camillus Police Department led to his arrest.

#### **DOUBLE DIPPING**

- ◆ A Buffalo man was involved in an auto accident on 3/5/03 and filed a claim with the other party's insurer, Nationwide Insurance Company, from which he received a settlement of \$2,794. However, he then filed a second claim with his own insurer, New York Central Mutual Fire, from which he received \$2,986. This defendant is on probation for a similar

scam for which he was arrested earlier this year. The Frauds Bureau and the State Police pooled resources in this investigation.

## **November**

### **A GOOD DAY'S WORK**

- ◆ A two-year joint investigation by the Frauds Bureau, the Bronx DA's Office and the NYPD led to the arrest of 16 people, including one former and four current New York City Police Officers, charged with the theft of a quarter of a million dollars from seven insurance companies. More than \$185,000 of the total payout was for claims submitted by medical facilities where "victims" of alleged auto collisions were examined and treated. Evidence indicated that two partners in a Bronx barbershop supplied the names of the "victims" who appeared on fraudulent accident reports generated by the four police officers. One of the officers also prepped the "victims" in what to say when they went to various clinics for medical treatment, and what to claim when seeking compensation from the insurers. Three of the police officers were paid \$250 to \$1,000 for each of the fraudulent accident reports. Eight of the civilian "victims" received personal injury insurance settlements ranging from \$1,000 to \$12,000. The insurers involved are Allstate, State Farm, Metropolitan Property & Casualty, OneBeacon, Prudential Property & Casualty and Travelers Property & Casualty Insurance Companies and Kemper Auto and Home Group.

### **WHAT A TEAM!**

- ◆ The Frauds Bureau teamed up with the Albany County DA's Office, the State Insurance Fund, the Workers' Compensation Inspector General's Office, the State Police, and the Albany and Colonie Police Departments in a roundup of nine individuals suspected of cheating the State's workers' compensation insurance system. The nine suspects, arrested as a result of Frauds Bureau investigations, were part of a larger sweep of 15 fraud arrests in cases representing more than \$1.1 million. The sweep was conducted over a three-week period in November and was the culmination of a six-month undercover operation.

## **December**

### **PHONY BILLING**

- ◆ Following an investigation by the Frauds Bureau and the Attorney General's Auto Insurance Fraud Unit, four owners of ambulance companies were arrested for participating in a no-fault billing scam. The defendants submitted bills for patient transportation services that were never rendered. They also transported accident victims using livery cars or private cars and claimed that ambulances, which are billed at a higher rate, were used. Two of the defendants were charged with submitting more than 40 phony bills to ten insurers beginning in 2000. The two others were accused of submitting \$125,000 in fraudulent bills.

### **INDICTED!**

- ◆ A 263-count indictment was filed against four psychotherapists for their involvement in a no-fault fraud ring. A licensed psychologist and three psychotherapists in his employ at medical clinics throughout New York City and Long Island were charged with fraudulently billing for counseling services they claimed were provided to hundreds of auto accident victims. At the

clinics, patients were directed by clinic staff to meet with a psychotherapist without regard to medical necessity. Many patients had suffered only minor injuries as a result of accidents in which the autos sustained little or no damage. According to the indictment, during the period from April 2000 to September 2003, the defendants engaged in a conspiracy to submit falsified no-fault claims totaling about \$88,000. The investigation was conducted jointly by the Frauds Bureau, the NYPD and the Attorney General's Auto Insurance Fraud Unit.

## **B. The Frauds Bureau Restructured**

In order to coordinate efforts to curb no-fault fraud, the Bureau combined what were the Auto and the No-Fault Units into one Organized/No-Fault/Auto Unit with two Supervising Investigators – one to handle such investigations in the five boroughs of New York City and the second to handle investigations in the other areas of downstate.

One Supervising Investigator was assigned to a new statewide Arson Investigation Unit to target auto arson in New York State. Currently, all fire departments, with the exception of the New York City Fire Marshals, report all arson fires to the Office of Fire Prevention and Control. The staff of the new Arson Unit will have access to the files of the Office of Fire Prevention and Control. The New York City Fire Marshals have recently established an Auto Arson Unit. They have invited the Frauds Bureau to participate in their efforts to combat auto arson. Toward that end, our investigators will have access to their database which includes all reports of suspected arson in New York City.

In addition, a Supervising Investigator was named to the position of Statewide Auto Unit Coordinator. Noting that insurance fraud is no longer a local problem, with patterns of no-fault and other auto-related fraud spreading from downstate to upstate, especially into the Buffalo and Rochester areas, it is important to have a Supervisor to track and monitor such trends and to coordinate fraud-fighting efforts throughout the State. The Statewide Auto Unit Coordinator meets regularly with all Bureau supervisors, both upstate and downstate, to evaluate how we can best expend our resources. He is also in regular contact with police officials across the State to discuss mutual concerns and to provide assistance as we work to combat no-fault/auto insurance fraud.

Due to the success of the Department of Motor Vehicles' bar-coding system for auto insurance identification cards, the need for a separate Fraudulent Cards Unit has significantly decreased. Therefore, the Bureau incorporated that Unit with the General Unit and reassigned that Unit's Supervisor and three investigators to the General, Medical and Organized/No-Fault/Auto Units.

## **C. No-Fault Insurance Fraud**

No-fault fraud is the most prevalent type of fraud reported to the Frauds Bureau, accounting for more than 58% of all reports of suspected fraud received in 2003. Our beefed-up Organized/No-Fault/Auto Unit will bring renewed focus to rooting out this insidious crime that costs New Yorkers billions of dollars in increased auto insurance premiums and higher costs for goods and services. The Unit works with the Attorney General's Auto Insurance Fraud Unit, as

well as local prosecutors and law enforcement officials to prevent fraud and abuse. In addition, our program to specifically train police officers around the State in ways to recognize staged accidents and fraudulent auto identification cards, as well as our Outreach Program to heighten awareness in the wider community, will strengthen our efforts.

On the regulatory front, the Department won a major victory on October 21, 2003 when the New York State Court of Appeals, New York's highest court, unanimously affirmed the Superintendent's rulemaking authority in promulgating Regulation 68. Among other provisions, the Regulation reduced the time required for filing an injury claim from 90 to 30 days and also reduced the time for submitting medical bills from 180 to 45 days. These provisions will eliminate loopholes that have been exploited as opportunities for fraud and abuse. At the same time, the Regulation includes important new consumer safeguards that will ensure that legitimate claimants have their claims paid. For example, the Regulation relaxes the standard for accepting late claim filings. The previous rule stated that late filings were permitted only when written proof showed that compliance with a filing deadline was "impossible." The new standard excuses missed deadlines when there is a "clear and reasonable justification" for the delay. The decision ends the challenge to implementation of Regulation 68 brought by the Medical Society of the State of New York, the New York Trial Lawyers Association and others.

#### **D. Satellite Office in Brooklyn**

The Frauds Bureau and the Brooklyn Borough President established an Automobile Insurance Task Force in 2002 to advance innovative ways of reducing the incidence of fraud to help control auto insurance premiums in Brooklyn. As part of that effort, the Frauds Bureau has established a presence in that borough. We have relocated a team of no-fault investigators from the Organized/No-Fault/Auto Unit in Manhattan to an office in downtown Brooklyn to work closely with the other members of the Task Force in combating no-fault fraud and abuse.

#### **E. Community Outreach**

The Community Outreach Program continues to be a priority for the Bureau. The program consists of a presentation that focuses on no-fault fraud but can be modified to target any type of insurance fraud. It is designed to heighten public awareness about insurance fraud and its impact on the community. Our Training Officer and investigators regularly conduct the presentation for neighborhood groups and civic organizations in addition to insurance industry staff. Increasingly, the presentation is given to members of the New York City Police Department and other police departments around the State. Since police officers are often the first responders to auto accidents and other emergency situations, their ability to recognize insurance fraud can be crucial to an investigation. During 2003, Frauds Bureau staff conducted 54 training programs for 5,048 individuals, including 3,518 police officers and detectives at 19 police departments.

#### **F. Frauds Bureau/Prosecutor Partnership**

The Frauds Bureau has expanded its initiative that puts our investigators in prosecutors' offices to work side-by-side with their investigative staff. This is an important way to help



prosecutors recognize the importance of the crime of insurance fraud and to ensure that our cases receive a fair hearing. Many District Attorney's Offices across the State have received Department of Criminal Justice Services grant money to form auto insurance fraud units. We currently have two investigators in the Suffolk County DA's Office virtually full time. In addition, we have one investigator in the Nassau County DA's Office two days a week; two investigators one day a week in Queens; and one investigator three days a week in Rockland, where he also works with investigators in the Putnam and Dutchess County DAs' Offices. We have also placed one investigator in the Albany County DA's Office two to three days a week and one investigator two to three days a week in Westchester. The Bronx DA's Office has also expressed interest. Monroe County has recently received approval for a grant and Assistant District Attorney Jennifer Whitman has requested the assistance of the Frauds Bureau in setting up a program to address the significant auto fraud problem in Rochester. This partnership program is likely to continue to expand as more prosecutors apply for and receive grant money.

### **G. Update: World Trade Center Fraud**

Since the tragic events of September 11, the Frauds Bureau has worked diligently to ensure that reports of suspected fraud related to the attacks receive prompt attention. In all, 78 World Trade Center-related claims were opened for investigation – 21 involved life insurance; 20 were workers' compensation; 8 were auto related; and 29 were miscellaneous – and a number of arrests were made.

### **H. Staff Recognition Awards**

In December, Director Charles Bardong received the Manager of the Year 2003 Award from OneBeacon Insurance Company in recognition and appreciation of his leadership and commitment to fight insurance fraud in New York State.

On January 9, 2003, Senior Investigator Gary Anderson and Investigator Christo Phillips of the Bureau's No-Fault Unit each received a plaque from Roslynn R. Mausekopf, the U.S. Attorney for the Eastern District of New York, in recognition of "their diligent investigation of the Medical Arts Clinic, Juliette Car Service and Lucien Insurance scheme, leading to 35 federal felony convictions." In October, the FBI presented these two investigators with awards for their successful investigation of this same case.

Associate Investigator August D'Aureli, Senior Investigator Gary Anderson and Investigator Arthur Masinski were also honored by Roslynn R. Mausekopf, the U.S. Attorney for the Eastern District of New York, in recognition of their outstanding investigation of a major no-fault case.

For the successful collaboration on several insurance fraud cases with their Special Investigations Unit, OneBeacon Insurance Company, in July, named Auto Unit Investigator James Masterson and Workers' Compensation Unit Investigator Kristine Romani "Enforcement Officers of the Quarter."

## ***V. Operational Overview***

### **A. Administration**

The Frauds 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 and investigation of insurance fraud and the referral for prosecution of those 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 and telephone/fax numbers appears in the Appendices to this Report.

Bureau staff consists of 34 investigators organized into six specialized units – Arson, General, Medical, Organized/No-Fault/Auto, Statewide Auto Coordinator, Upstate and Workers' Compensation – 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 a Principal Investigator.

The Bureau also has a staff of three insurance examiners who work under the supervision of a Principal Examiner. The Bureau's Deputy Director/Counsel reports to the Director; the Assistant Director of Research reports to the Director and the Deputy Director; and the Training Officer reports to the Chief Investigator. In addition, five support staff members report to the Secretary to the Director. A list of staff members by title and office location appears in the Appendices to this Report.

### **B. Investigations**

The Frauds Bureau received 29,705 reports of suspected insurance fraud in 2003. Of that total, 28,918 were received from licensees required to submit such reports to the Department, and 787 were received from other sources such as consumers and anonymous tips. A total of 1,130 new cases were opened during the year, while investigations continued in numerous cases opened in prior years.

During 2003, the Bureau referred 255 cases to prosecutorial agencies for criminal prosecution and another 34 for civil settlement or referral to the Department's Office of General Counsel for civil proceedings. A comparison of the number of fraud reports received and investigations initiated from 1998 through 2003 appears in the Appendices to this Report.

### **C. Arrests and Prosecutions**

The Frauds Bureau participated in investigations that led to the arrest of 811 individuals for insurance fraud and related crimes during 2003, outpacing last year's performance by nearly 15%. The number of arrests posted in 2003 sets a new record for the Bureau and represents an increase of more than 108% over the past five years. Criminal convictions obtained by prosecutors in Frauds Bureau cases reached 324 for the year. In addition, 311 individuals were sentenced in connection with Frauds Bureau cases.

Frauds Bureau activities led to stiff fines against 97 individuals who were sentenced to nearly \$7.5 million in court-ordered restitution during the past year. In 22 cases, individuals made voluntary restitution totaling more than \$143,000. In another 10 instances, insurers were able to achieve savings of almost \$420,000 in connection with fraudulent claims under investigation by the Bureau.

The strong support provided by the Governor and the Legislature enabled the Bureau to build a solid fraud-fighting team with the insurance industry and law enforcement officials across the State. These efforts have contributed in large measure to the Bureau's accomplishments during the past year.

#### **D. 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 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. Details of the civil enforcement program appear in the Appendices to this Report.

#### **E. Fraud Prevention Plans/Public Awareness Programs**

The Second Amendment to Regulation 95 required all insurers that meet certain criteria to submit to the Department a Fraud Prevention Plan that includes establishing a Special Investigations Unit (SIU). At year-end, 148 Plans were active. A Frauds Bureau examiner currently accompanies members of the Health Bureau on financial examinations of health insurers. Our examiner meets with the insurer's SIU manager and reviews the company's Fraud Prevention Plan in order to determine whether the SIU is in compliance with the provisions of Regulation 95. Our examiner also provides training to SIU staff on how best to implement their Plans and provide accurate and thorough information in the annual reports they are required to submit to the Department on January 15. The Frauds Bureau plans to expand these SIU reviews by also accompanying staff of the Property Bureau on their market conduct examinations of property/casualty insurers. A list of approved Plans as of 12/31/03 appears in the Appendices to this Report.

The Second Amendment to Regulation 95 also includes a requirement that insurers develop a public awareness program focused on the cost and frequency of insurance fraud. Major advertising campaigns, using newspapers, radio, television and billboards are carried out throughout the year by the New York Alliance Against Insurance Fraud, a coalition of more than 100 insurers that write property/casualty, life, health and disability insurance. The National Health Care Anti-Fraud Association and several individual insurance companies have also launched programs to heighten awareness and reduce public tolerance for insurance fraud. This message now reaches millions of New Yorkers. The success of the program can be measured in

part by the number of calls the Bureau receives to its Hotline which has increased steadily since the inception of the program. Calls averaged 56 a week during 2003, compared with 50 a week in 2002 and 30 a week in 2001.

## ***VI. Directions for 2004***

### **A. Web-Based Fraud Reporting**

Implementing a Web-based fraud reporting system is one of the Bureau's highest priorities. We have established a working group with the Systems Bureau that meets weekly to discuss progress and resolve problems and our electronic reporting blueprint is in its final stages. Under the AT&T Global Network currently in use, about 69% of all reports received by the Bureau are submitted electronically. With a Web-based system, we can easily achieve 100% electronic reporting, with the capability to accept reports from laptops and field locations. Under the proposed system, certain fields would be required, i.e., the system would not accept the report without specific information. Thus, the system will enhance the effectiveness and accuracy of fraud reports and reduce staff time spent in follow-up with insurers. In all, the Bureau received 29,705 reports of suspected insurance fraud in 2003, up from 24,578 in the prior year.

### **B. Nuisance Abatement**

The Frauds Bureau uses every means at our disposal in pursuit of those who perpetrate insurance fraud. Nuisance abatement is a civil remedy routinely used by the New York City Police Department to close a location that qualifies as a public nuisance, i.e., a site of recurring illegal activity over a period of time, such as locations used for drugs, prostitution, fencing of stolen goods, etc. The Frauds Bureau is working with the NYPD and insurers to use this civil remedy to shut down illegal locations such as chop shops and medical mills.

### **C. Manual of Procedures**

The Bureau's Training Officer will update the Frauds Bureau Manual of Procedures based on the recommendations of the Department's Internal Auditor. The details of each financial function, development of a statistical tracking system for certain procedures, and a description of all databases and computer operations are among the new entries that will be included in the revised Manual to ensure that it is a complete and comprehensive document.

## VII. Legislation

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

- Providing the Superintendent of Insurance with the authority to establish standards for the public awareness programs that insurers are required to develop under the provisions of Regulation 95;
- 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;
- Making it a crime to present materially false statements on an insurance application for personal lines insurance;
- Making it a felony 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 D felony for unlicensed activity by certain previously licensed individuals and entities that are no longer licensed at the time of the violation;
- Creating a class E felony for unlicensed activity by any individual;
- 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 positive identification of the insured;
- 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 in the insurance business of individuals 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 permitting 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 health care services under those programs;
- 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; and
- Modifying the reporting date for insurer Special Investigations Units annual reports (pursuant to Section 409 of the Insurance Law) from January 15 to February 15 of each year.

**IX. Appendices**

**IFB Referrals Received by Year**

Type	1998	1999	2000	2001	2002	2003
Auto Theft	2,234	2,015	1,696	2,085	1,694	1,927
Auto Fire	262	310	313	374	267	315
Theft From Auto	119	119	65	88	101	76
Auto Vandalism	281	236	260	260	235	385
Auto Collision Damage	1,517	1,097	1,064	1,129	775	1,819
Auto Fraudulent Bills	45	28	33	58	32	35
Auto Misc.	<u>526</u>	<u>433</u>	<u>797</u>	<u>724</u>	<u>707</u>	<u>1,213</u>
<b>Auto Unit Totals</b>	<b>4,984</b>	<b>4,238</b>	<b>4,228</b>	<b>4,718</b>	<b>3,811</b>	<b>5,770</b>
Auto I. D. Cards	<u>308</u>	<u>253</u>	<u>302</u>	<u>591</u>	<u>536</u>	<u>191</u>
<b>Auto ID Unit Totals</b>	<b>308</b>	<b>253</b>	<b>302</b>	<b>591</b>	<b>536</b>	<b>191</b>
Workers' Compensation	<u>661</u>	<u>798</u>	<u>862</u>	<u>1,733</u>	<u>1,086</u>	<u>1,121</u>
<b>Workers' Comp Unit Totals</b>	<b>661</b>	<b>798</b>	<b>862</b>	<b>1,733</b>	<b>1,086</b>	<b>1,121</b>
Disability Insurance	70	102	82	93	102	73
Health Accident Insurance	<u>2,637</u>	<u>2,359</u>	<u>2,205</u>	<u>1,572</u>	<u>1,518</u>	<u>1,791</u>
<b>Medical Unit Totals</b>	<b>2,707</b>	<b>2,461</b>	<b>2,287</b>	<b>1,665</b>	<b>1,620</b>	<b>1,864</b>
No-Fault Auto Insurance	<u>9,659</u>	<u>9,191</u>	<u>12,372</u>	<u>15,219</u>	<u>14,852</u>	<u>17,253</u>
<b>No-Fault Auto Unit Totals</b>	<b>9,659</b>	<b>9,191</b>	<b>12,372</b>	<b>15,219</b>	<b>14,852</b>	<b>17,253</b>
Fire - Residential	150	126	114	159	127	114
Fire - Commercial	<u>57</u>	<u>58</u>	<u>34</u>	<u>25</u>	<u>22</u>	<u>25</u>
<b>Arson Unit Totals*</b>	<b>207</b>	<b>184</b>	<b>148</b>	<b>184</b>	<b>149</b>	<b>139</b>
Burglary - Residential	452	453	361	444	392	422
Burglary - Commercial	115	62	66	98	93	80
Homeowners	620	340	258	307	288	432
Larceny	67	34	12	25	45	43
Lost Property	59	77	74	112	108	182
Robbery	11	16	15	19	28	21
Bonds	9	2	2	0	6	6
Life Insurance	66	95	65	79	100	63
Ocean Marine Insurance	38	24	21	19	15	25
Reinsurance	0	0	0	2	0	1
Appraisers/Adjusters	6	10	12	12	5	30
Agents	49	50	36	42	65	50
Brokers	75	87	59	47	60	65
Ins. Company Employees	7	6	5	8	10	3
Insurance Companies	2	2	3	0	4	20
Miscellaneous	<u>358</u>	<u>242</u>	<u>183</u>	<u>228</u>	<u>312</u>	<u>304</u>
<b>General Unit Totals</b>	<b>1,934</b>	<b>1,500</b>	<b>1,172</b>	<b>1,442</b>	<b>1,531</b>	<b>1,747</b>

Unassigned	710	571	876	476	993	1,620
<b>Totals</b>	<b>21,170</b>	<b>19,196</b>	<b>22,247</b>	<b>26,028</b>	<b>24,578</b>	<b>29,705</b>

<b><u>Referrals received</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
<b>Auto Unit Totals</b>	4,984	4,238	4,228	4,718	3,811	5,770
<b>Auto ID Unit Totals</b>	308	253	302	591	536	191
<b>Workers' Comp Unit Totals</b>	661	798	862	1,733	1,086	1,121
<b>Medical Unit Totals</b>	2,707	2,461	2,287	1,665	1,620	1,864
<b>No-Fault Auto Unit Totals</b>	9,659	9,191	12,372	15,219	14,852	17,253
<b>Arson Unit Totals*</b>	207	184	148	184	149	139
<b>General Unit Totals</b>	1,934	1,500	1,172	1,442	1,531	1,747
<b>Unassigned</b>	<u>710</u>	<u>571</u>	<u>876</u>	<u>476</u>	<u>993</u>	<u>1,620</u>
<b>Totals</b>	<b>21,170</b>	<b>19,196</b>	<b>22,247</b>	<b>26,028</b>	<b>24,578</b>	<b>29,705</b>

\* Arson Unit was established in August 2003.



### Cases Received by Year

Type	1998	1999	2000	2001	2002	2003
Auto Theft	77	79	60	51	71	92
Auto Fire	12	12	10	8	16	33
Theft From Auto	12	7	2	8	14	3
Auto Vandalism	3	10	13	20	23	18
Auto Collision Damage	46	35	29	29	25	25
Auto Fraudulent Bills	4	5	7	7	7	3
Auto Misc.	<u>76</u>	<u>23</u>	<u>12</u>	<u>13</u>	<u>25</u>	<u>21</u>
<b>Auto Unit Totals</b>	<b>230</b>	<b>171</b>	<b>133</b>	<b>136</b>	<b>181</b>	<b>195</b>
Auto I. D. Cards	<u>218</u>	<u>160</u>	<u>65</u>	<u>150</u>	<u>179</u>	<u>63</u>
<b>Auto ID Unit Totals</b>	<b>218</b>	<b>160</b>	<b>65</b>	<b>150</b>	<b>179</b>	<b>63</b>
Workers' Compensation	<u>415</u>	<u>527</u>	<u>527</u>	<u>409</u>	<u>494</u>	<u>571</u>
<b>Workers' Comp Unit Totals</b>	<b>415</b>	<b>527</b>	<b>527</b>	<b>409</b>	<b>494</b>	<b>571</b>
Disability Ins.	14	18	17	14	15	13
Health Accident Insurance	<u>97</u>	<u>65</u>	<u>55</u>	<u>44</u>	<u>42</u>	<u>57</u>
<b>Medical Unit Totals</b>	<b>111</b>	<b>83</b>	<b>72</b>	<b>58</b>	<b>57</b>	<b>70</b>
No-Fault Auto Insurance	<u>132</u>	<u>127</u>	<u>88</u>	<u>62</u>	<u>113</u>	<u>88</u>
<b>No-Fault Auto Unit Totals</b>	<b>132</b>	<b>127</b>	<b>88</b>	<b>62</b>	<b>113</b>	<b>88</b>
Fire - Residential	33	15	11	20	17	20
Fire - Commercial	<u>15</u>	<u>16</u>	<u>5</u>	<u>2</u>	<u>2</u>	<u>6</u>
<b>Arson Unit Totals*</b>	<b>48</b>	<b>31</b>	<b>16</b>	<b>22</b>	<b>19</b>	<b>26</b>
Burglary - Residential	15	17	21	10	14	16
Burglary - Commercial	9	3	5	2	12	2
Homeowners	27	29	18	22	36	28
Larceny	8	6	4	4	2	2
Lost Property	5	0	0	1	2	3
Robbery	1	2	1	0	1	2
Bonds	8	0	1	0	2	5
Life Insurance	13	17	5	7	22	9
Ocean Marine Insurance	0	5	3	4	3	3
Reinsurance	0	0	0	0	0	0
Appraisers/Adjusters	3	2	4	0	0	0
Agents	26	18	6	12	28	12
Brokers	17	9	11	10	7	8
Ins. Company Employees	3	3	2	3	5	2
Insurance Companies	0	0	0	0	1	7
Miscellaneous	<u>28</u>	<u>28</u>	<u>22</u>	<u>27</u>	<u>27</u>	<u>18</u>
<b>General Unit Totals</b>	<b>259</b>	<b>201</b>	<b>135</b>	<b>146</b>	<b>200</b>	<b>117</b>
<b>Totals</b>	<b>1,317</b>	<b>1,238</b>	<b>1,004</b>	<b>939</b>	<b>1,205</b>	<b>1,130</b>

<b>Investigations</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Auto Unit Totals</b>	230	171	133	136	181	195
<b>Auto ID Unit Totals</b>	218	160	65	150	179	63
<b>Workers' Comp Unit Totals</b>	415	527	527	409	494	571
<b>Medical Unit Totals</b>	111	83	72	58	57	70
<b>No-Fault Auto Unit Totals</b>	132	127	88	62	113	88
<b>Arson Unit Totals*</b>	48	31	16	27	19	26
<b>General Unit Totals</b>	<u>163</u>	<u>139</u>	<u>103</u>	<u>97</u>	<u>162</u>	<u>117</u>
<b>Totals</b>	<b>1,317</b>	<b>1,238</b>	<b>1,004</b>	<b>939</b>	<b>1,205</b>	<b>1,130</b>

\*Arson Unit was established in August 2003.

1997	<u>Referrals</u>	<u>Cases</u>	<u>Arrests*</u>
<b>Auto Unit Totals</b>	6,257	263	
<b>Auto ID Unit Totals</b>	402	336	
<b>Workers' Comp Unit Totals</b>	698	408	
<b>Medical Unit Totals</b>	5,548	202	
<b>No-Fault Auto Unit Totals</b>	7,042	295	
<b>General Unit Totals</b>	2,532	329	
<b>Grand Total</b>			<b>276</b>

1998	<u>Referrals</u>	<u>Cases</u>	<u>Arrests*</u>
<b>Auto Unit Totals</b>	4,984	230	
<b>Auto ID Unit Totals</b>	308	218	
<b>Workers' Comp Unit Totals</b>	661	415	
<b>Medical Unit Totals</b>	2,707	111	
<b>No-Fault Auto Unit Totals</b>	9,659	132	
<b>General Unit Totals</b>	2,141	211	
<b>Grand Total</b>			<b>371</b>

1999	<u>Referrals</u>	<u>Cases</u>	<u>Arrests*</u>
<b>Auto Unit Totals</b>	4,238	171	
<b>Auto ID Unit Totals</b>	253	160	
<b>Workers' Comp Unit Totals</b>	798	527	
<b>Medical Unit Totals</b>	2,461	83	
<b>No-Fault Auto Unit Totals</b>	9,191	127	
<b>General Unit Totals</b>	1,684	170	
<b>Grand Total</b>			<b>390</b>

2000	<u>Referrals</u>	<u>Cases</u>	<u>Arrests</u>
<b>Auto Unit Totals</b>	4,228	133	201
<b>Auto ID Unit Totals</b>	302	65	32
<b>Workers' Comp Unit Totals</b>	862	527	108
<b>Medical Unit Totals</b>	2,287	72	36
<b>No-Fault Auto Unit Totals</b>	12,372	88	50
<b>General Unit Totals</b>	1,320	119	<u>76</u>
<b>Grand Total</b>			<b>503</b>

2001	<u>Referrals</u>	<u>Cases</u>	<u>Arrests</u>
<b>Auto Unit Totals</b>	4,718	136	210
<b>Auto ID Unit Totals</b>	591	150	94
<b>Workers' Comp Unit Totals</b>	1,733	409	79
<b>Medical Unit Totals</b>	1,665	58	16
<b>No-Fault Auto Unit Totals</b>	15,219	62	107
<b>General Unit Totals</b>	1,626	124	<u>48</u>
<b>Grand Total</b>			<b>554</b>

2002	<u>Referrals</u>	<u>Cases</u>	<u>Arrests</u>
<b>Auto Unit Totals</b>	3,811	181	196
<b>Auto ID Unit Totals</b>	536	179	107
<b>Workers' Comp Unit Totals</b>	1,086	494	101
<b>Medical Unit Totals</b>	1,620	57	27
<b>No-Fault Auto Unit Totals</b>	14,852	113	182
<b>General Unit Totals</b>	1,680	181	<u>94</u>
<b>Grand Total</b>			<b>707</b>

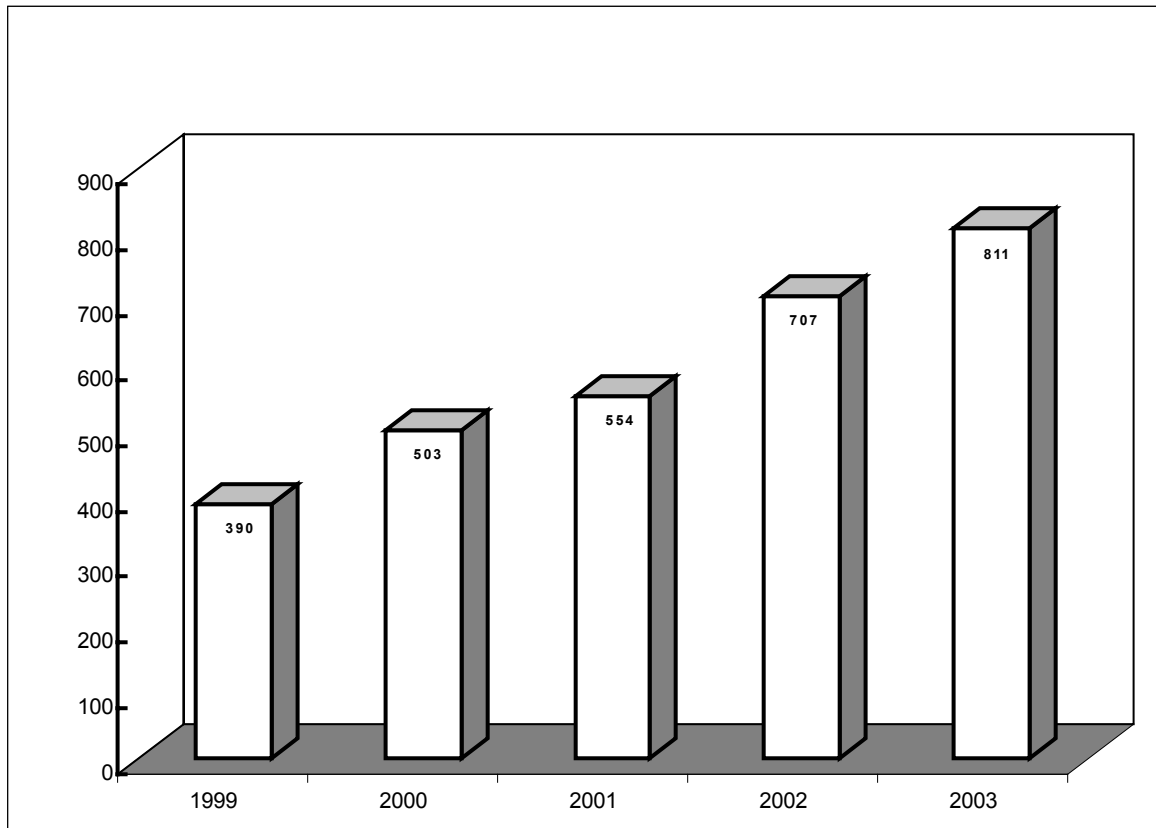
2003	<u>Referrals</u>	<u>Cases</u>	<u>Arrests</u>
<b>No-Fault/Auto Unit Totals**</b>	5,770	195	332
<b>Auto ID Unit Totals***</b>	191	63	27
<b>Workers' Comp Unit Totals</b>	1,121	571	110
<b>Medical Unit Totals</b>	1,864	70	27
<b>No-Fault Auto Unit Totals**</b>	17,253	88	244
<b>General Unit Totals**</b>	1,747	117	64
<b>Arson Unit Totals</b>	139	26	<u>7</u>
<b>Grand Total</b>			<b>811</b>

\* Data for individual units are not available for these years.

\*\* Auto Unit and No-Fault Unit merged in August 2003.

\*\*\* Auto ID Unit and General Unit merged in August 2003.

**Frauds Bureau Arrests  
1999 - 2003**



**Civil Enforcement Program**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Total Fines Imposed	\$388,224.06	\$237,758.00	\$46,232.00	\$75,813.00
Settlements With IFB	\$305,718.06	\$180,013.00	\$22,995.00	\$62,931.00
Hearing Determinations	\$82,506.00	\$57,745.00	\$23,237.00	\$12,882.00
Cases*	41	32	16	21

\* Number of Cases in which the Frauds Bureau collected civil penalties or Office of General Counsel imposed civil penalties.

## **Miscellaneous Statistics**

### **A. Technical and Monetary Contributions**

During 2003, the Bureau received \$39,955 from various insurance companies and plea-bargain settlements. These funds were allocated in connection with joint investigations conducted under the supervision of local district attorneys.

### **B. Civil Penalties**

Civil penalties totaling \$279,065 were imposed in 31 cases under Section 403 of the Insurance Law in 2003, and \$2,000 in five cases under Section 2133.

**Insurance Frauds Bureau  
Continuing Education Program  
Insurers, Law Enforcement and Community Groups  
2003**

<b>Date</b>	<b>Group</b>	<b>Location</b>	<b>Number of Attendees</b>
12/12/03	NYPD Auto Crime Division	Queens, NY	17
12/10/03	Sperry-Rand Retirees	Manhasset, NY	42
12/05/03	NYPD Auto Crime Division	Queens, NY	12
12/04/03	NYPD Police Academy (three seminars)	New York, NY	960
12/03/03	New York Anti Car Theft and Fraud Association	Pomona, NY	85
12/02/03	Rockland County Police Academy	Pomona, NY	29
11/14/03	Westchester County Police Department	Valhalla, NY	32
11/12/03	Albany Police Department	Albany, NY	26
11/07/03	Westchester County Police Department	Valhalla, NY	30
11/03/03	Albany Police Department	Albany, NY	42
10/22/03	Albany Police Department	Albany, NY	28
10/21/03	Colombian Life Insurance Company	Binghamton, NY	35
10/16/03	Liberty Mutual Insurance Company	Uniondale, NY	65
10/15/03	Albany Police Department	Albany, NY	30
10/14/03	New York Anti Car Theft and Fraud Association	Lake Success, NY	60
10/10/03	Capital District Auto Theft/Fraud Task Force	Albany, NY	65
10/01/03	Rockland County Police Academy	Pomona, NY	18
09/25/03	King Kullen Grocery Company	Bethpage, NY	6
09/10/03	New York Auto Insurance Plan	New York, NY	55
08/20/03	NYS Office of Fire Prevention and Control	Montour Falls, NY	30
08/07/03	Preferred Mutual Insurance Company	New Berlin, NY	15
07/24/03	NYPD Police Academy	New York, NY	250
07/10/03	Blue Cross & Blue Shield of Rochester	Rochester, NY	11
06/20/03	NYS Office of Fire Prevention and Control	Montour Falls, NY	15
06/19/03	Holliswood Civic Association	Queens, NY	40
06/19/03	New York State Fire Academy	Montour Falls, NY	20
06/04/03	Locust Grove Civic Association	Queens, NY	60
05/21/03	NYS Office of Fire Prevention and Control	Montour Falls, NY	15
05/19/03	Rockland County Police Department	Pomona, NY	23
05/14/03	Internat'l. Association of Auto Theft Investigators	Queens, NY	85
04/18/03	Zone 5 Law Enforcement Academy	Troy, NY	26
04/09/03	Community Board #8	Queens, NY	50
04/08/03	Otsego County Police Academy	Oneonta, NY	21
04/02/03	Chartered Property/Casualty Underwriters	Woodbury, NY	55
03/27/03	Progressive Insurance Company SIU	Queens, NY	30
03/21/03	New York Anti Car Theft and Fraud Association	Albany, NY	80
03/12/03	Hereford Insurance Company SIU	Long Island City, NY	21
03/06/03	Community Board #10	Queens, NY	36
03/05/03	Mill Island Retirees	Brooklyn, NY	50
02/27/03	NYPD Community Council	Brooklyn, NY	45
02/27/03	NYS Crime Prevention Coalition	Albany, NY	18
02/26/03	Senior Citizens of Farmingdale	Farmingdale, NY	143



<b>02/24/03</b>	<b>NYS Office of Fire Prevention and Control</b>	<b>Montour Falls, NY</b>	<b>30</b>
<b>02/19/03</b>	<b>CNA Insurance Company SIU</b>	<b>New York, NY</b>	<b>28</b>
<b>01/22/03</b>	<b>New York Health Plan Association</b>	<b>NYC/Albany, NY</b>	<b>35</b>
<b>01/17/03</b>	<b>New York Prosecutors' Training Institute</b>	<b>New York, NY</b>	<b>65</b>
<b>01/15/03</b>	<b>NYPD Community Council</b>	<b>Forest Hills, NY</b>	<b>52</b>
<b>01/13/03</b>	<b>NYS Office of Fire Prevention and Control</b>	<b>Montour Falls, NY</b>	<b>30</b>
<b>01/13/03</b>	<b>NYPD Police Academy Recruits</b>	<b>New York, NY</b>	<b>600</b>
<b>01/09/03</b>	<b>NYPD Police Academy Recruits</b>	<b>New York, NY</b>	<b>700</b>
<b>01/07/03</b>	<b>NYPD Community Council</b>	<b>Bayside, NY</b>	<b>32</b>
<b>01/06/03</b>	<b>NYPD Police Academy Recruits</b>	<b>New York, NY</b>	<b>700</b>
<b>TOTAL GROUPS 54</b>		<b>PARTICIPANTS</b>	<b>5,048</b>

**Approved Fraud Plans – as of  
12/31/03**

ACE USA	Electric
Aetna	Empire Plan Blue Cross Blue Shield
AFLAC	Erie
Agway	Eveready
AIG	Excellus
Allianz/Preferred	Farm Family
Allmerica Financial	Fireman's Fund
Allstate	First Ameritas
Allstate Life	First Fortis
Amalgamated Life	First Rehabilitation
American Banker	First Reliance
American General - US Life	First United American
American Medical	GE Financial Assurance (Phoenix American Life)
American Modern	GE Auto and Home Assurance
American Progressive	GEICO Direct
American Transit	Gerber
AmeriChoice	GHI
Amex Assurance	Great American - Personal Lines
Amica	Great American - Specialty Division - Other than Personal Lines
Atlantic Mutual	Great Western
Atlantic State (Donegal)	Guardian
AUSA	Harleysville
Auto One Insurance (Part of OneBeacon)	Hartford Life
Balboa	Health First
Blue Ridge-General Casualty	HealthNow - BC & BS Western New York
Capital District Physicians	Healthnet of Northeast
Central Mutual - All America	Healthplex
Chubb Group	Hereford Insurance
CIGNA	HIP Health
CIGNA - INA Life	Horizon
Cincinnati	Hudson
Clarendon	IDS Life
Clermont Specialty - Admiral	Independent Health
CNA	Interboro
Combined Life	ITT Hartford
Conseco	John Hancock
Country-Wide	Kemper
Crum & Forster	Kemper Auto and Home
CUNA Mutual	Lancer
Dairyland	Liberty Mutual
Delta Dental	Massachusetts Mutual
Dentcare	
Eagle (The Robert Plan)	

Massachusetts Casualty  
MDNY  
Merchants & Business Men's  
Merchants Insurance  
MetLife  
MetLife - Property  
Michigan Millers  
MSI Mutual  
Mutual of Omaha  
MVP Health  
National Benefit Life  
National General  
National Grange Mutual  
Nationwide  
New York Automobile Plan  
New York Central Mutual  
New York Life  
Nippon Life - Principal Life  
North Star  
Northwestern Mutual  
Nova  
Ohio Casualty  
OneBeacon  
Oxford Health  
Peerless  
Preferred Care  
Preferred Mutual  
Princeton  
Principal Life  
Progressive Casualty  
Provident  
Provident Washington

Prudential  
PSM  
Reliastar Life  
Response  
Royal and Sun Alliance  
Safeco  
SBLI  
Security Mutual  
Selective Insurance  
St. Paul  
Standard Security  
State Farm  
State Insurance Fund  
State-Wide  
Sun Life  
Teachers  
TIG  
Tower Insurance Company of New York  
Travelers  
Tri-State Consumer  
Trustmark  
Unicare - Wellpoint  
Unitrin Direct  
Union Fidelity - GE Auto and Home  
Union Labor Life  
United Concordia  
United Healthcare of NY (Integrity Plus)  
USAA  
Utica Mutual  
VYTRA  
XL Specialty Insurance  
Zurich

**Insurance Frauds Bureau Staff – December 31, 2003**

**NEW YORK CITY OFFICE**

Director

Deputy Director

Deputy Director/Counsel

1 Chief Investigator

7 Associate Investigators

9 Senior Investigators

4 Investigators

1 Principal Insurance Examiner

1 Senior Insurance Examiner

2 Insurance Examiners

1 Senior Training Officer

1 Assistant Director of Research

1 Secretary I

1 Calculations Clerk 2

4 Keyboard Specialists

**ALBANY OFFICE**

5 Investigators

**BUFFALO OFFICE**

1 Associate Investigator

1 Senior Investigator

1 Investigator

**ROCHESTER OFFICE**

1 Senior Investigator

1 Investigator

**SYRACUSE OFFICE**

1 Principal Investigator

2 Investigators

**ONEONTA OFFICE**

1 Associate Investigator

3 Investigators

**MINEOLA OFFICE**

1 Associate Investigator

4 Senior Investigators

3 Investigators

**Insurance Frauds Bureau Offices**

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(585) 325-3274  
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