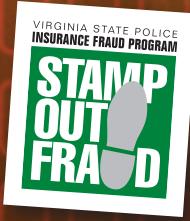




**Fighting fraud is just a  
click (or two) away.**

2008  
ANNUAL  
REPORT



# Report from the Superintendent and the IFP Coordinator



Colonel W. Steven Flaherty  
Superintendent  
Virginia State Police

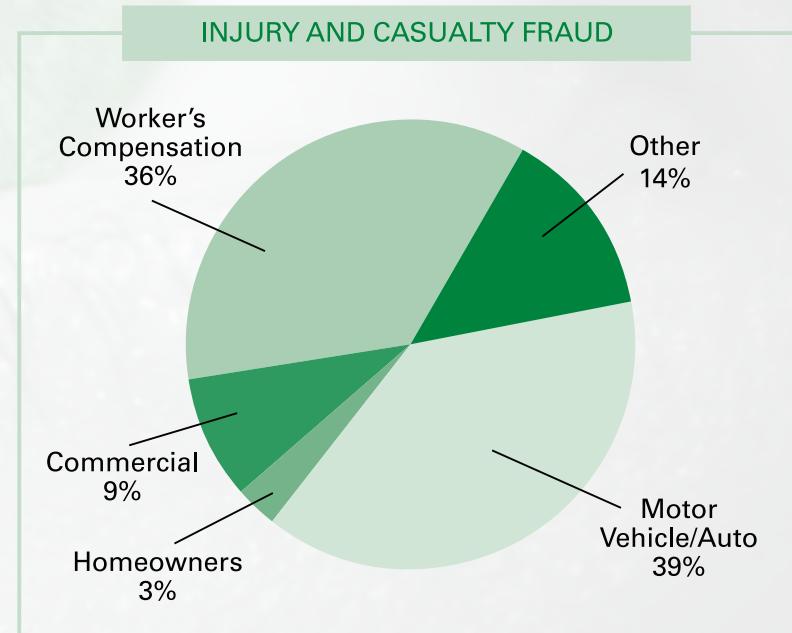


Lieutenant W. Roger Rector  
Coordinator  
Virginia State Police  
Insurance Fraud Program

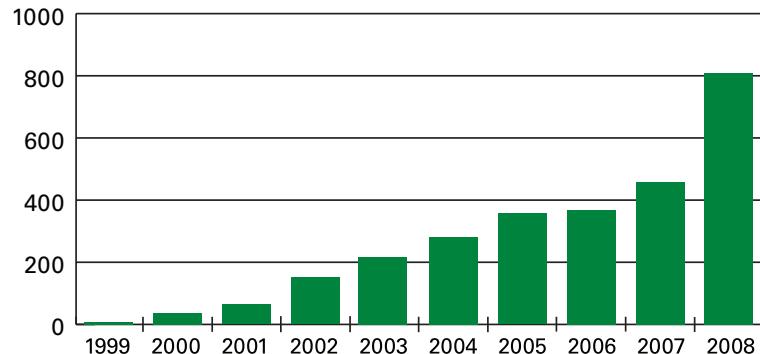
Insurance fraud is like a virus, spreading throughout the economy and stealing more than \$1,000 a year from the average Virginia household. The impact of insurance fraud can be felt on all levels of the Virginia economy. For the last decade, the Virginia State Police (VSP) Insurance Fraud Program (IFP) has been fighting the crime of insurance fraud; and, in 2008, the IFP launched its own viral attack against insurance fraud using social networking Web sites and marketing techniques to reach out to the citizens of the commonwealth.

In 2008, the IFP expanded its “new media” marketing and public awareness efforts by adding a “Stamp Out Fraud” fan page on [Facebook.com](https://www.facebook.com/StampOutFraud) and a [YouTube.com](https://www.youtube.com/StampOutFraud) channel. The Web site, [www.StampOutFraud.com](http://www.StampOutFraud.com), one of the elements of the original marketing mix that included television advertising and news releases, was also redesigned and updated.

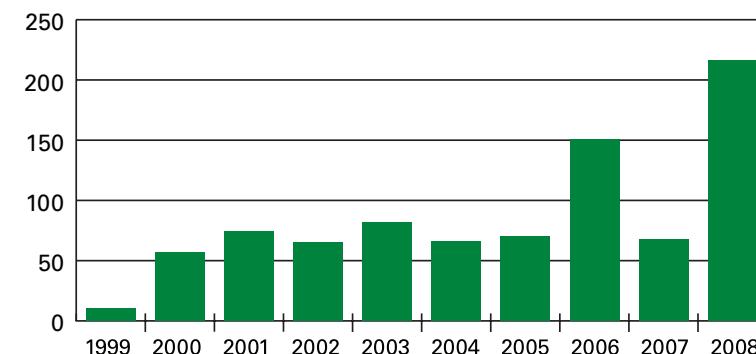
“I’m very excited about this new approach to raising public awareness about insurance fraud and its potential as another resource for fighting fraud,” said Lieutenant W. Roger Rector, Coordinator, Insurance Fraud Program.” The IFP has had some great success stories over the past ten years, and I look forward to continued successes as we build our fraud fighting toolbox.”



### INVESTIGATIONS INITIATED FOR INSURANCE FRAUD



### CONVICTIONS FOR INSURANCE FRAUD AND RELATED OFFENSES



Since the establishment of the program in 1999, more than 13,000 notifications about suspected insurance fraud have been sent to the IFP from the insurance industry as well as from citizens. The number of notifications received by the IFP in 2008 reached almost 2,000 – an all-time high – and a 14.5 percent increase over 2007.

“Insurance fraud is a serious crime that affects all Virginia residents, through higher premiums and increased costs for items and services they purchase everyday,” said Colonel W. Steven Flaherty, Virginia State Police Superintendent. “As the program’s numbers indicate, our dedicated insurance fraud

special agents and analysts are not only concerned with reducing crime, but also protecting the commonwealth’s citizens.”

Insurance fraud special agents opened 808 cases in 2008, an increase of 76.4 percent, and made 307 arrests for insurance fraud, a 47.6 percent increase over 2007. In ten years, 2,752 fraud investigations have been undertaken, and agents have made 1,500 arrests for insurance fraud and related offenses.

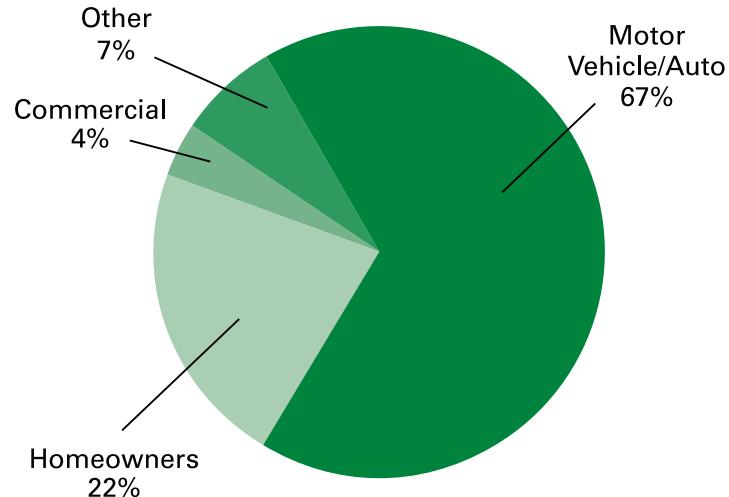
“Convictions for insurance fraud took a huge leap in 2008 – going from 39 to 174. This was due, in part to two cases that resulted in 100 convictions,”

commented Lt. Rector. "Since the Insurance Fraud Program was initiated in 1999, there have been a total of 673 convictions for insurance fraud and related offenses."

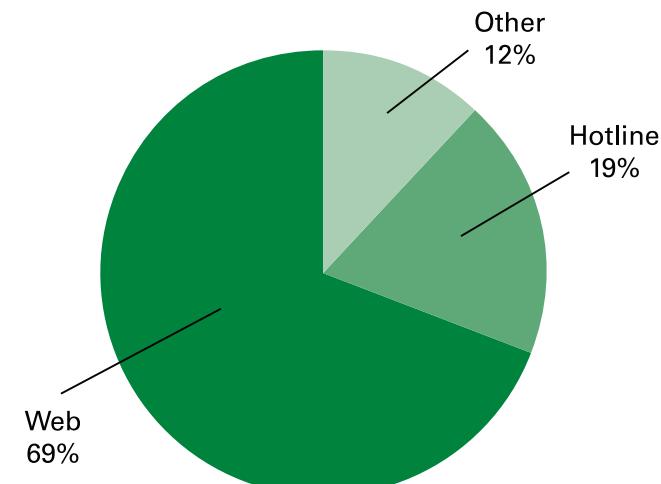
"Insurance fraud special agents also presented 278 cases to the Commonwealth's Attorneys for prosecution," said Lt. Rector, "which is an increase of more than 200 percent from the previous year."

In 2008, the courts ordered restitution of almost \$1.3 million to victims of insurance fraud. Over the past ten years, court-ordered restitution has

#### PROPERTY FRAUD



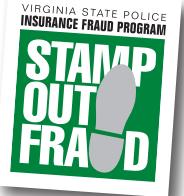
#### NOTIFICATIONS



reached \$13.4 million, and false insurance claims reported to the IFP have surpassed the \$86 million mark.

The VSP investigates property and casualty lines of insurance, as well as workers' compensation. Property fraud cases continue to show the greatest increase; they were up by 16.8 percent in 2008. Cases involving injury and casualty fraud saw a slight decrease of 1.7 percent; and workers' compensation cases dropped by slightly less than six percent.

Governor Timothy M. Kaine again issued a Certificate of Recognition proclaiming May 4 – 10 as Insurance Fraud Awareness Week. The proclamation was presented to Captain Steven S. Lambert, Support



[www.StampOutFraud.com](http://www.StampOutFraud.com)



Services Division by Jerry Altieri, president of the Virginia Chapter of the International Association of Special Investigation Units (VAIASIU), during the 16<sup>th</sup> annual VAIASIU Seminar.

The IFP continued to partner with the Help Eliminate Auto Theft (H.E.A.T.) Program – sharing “billboard” space on the H.E.A.T. salvage examination vehicle, participating in several VIN etching activities and teaching an Insurance Fraud class at the Virginia Crime Prevention Conference. Race fans will also see the Stamp Out Fraud message on the Martin Racing trailers hauling their dirt track cars to a variety of racing events throughout southwest Virginia. Martin Racing also runs the H.E.A.T. late-model cars in the

southwestern region of the state.

In 2008, the IFP made 46 fraud awareness presentations to insurance groups, citizens and law enforcement. For the first time, the IFP was invited to present at the Spring Institute Program sponsored by the Commonwealth’s Attorneys’ Services Council. The presenters included two commonwealth’s attorneys, insurance fraud special agents and a supervisor.

We look forward to 2009 and continuing the fight against insurance fraud. As the number of notifications, arrests and prosecutions continues to rise, IFP would like to thank everyone who has contributed to our success – citizens; commonwealth’s attorneys; local, state and federal law enforcement officials; legislators; and the insurance industry. Working together, with a “sharp eye” for criminals, we can continue to Stamp Out Fraud in Virginia.



## A Sharp Eye for Insurance Fraud Rewarded

One citizen's sharp eye for insurance fraud netted him a nice reward in 2008. Since the first reward was paid in 2004, 14 recipients have received a total of \$47,750 in reward funds.



Bob Livermon earned a reward in 2008 for submitting a tip to the Virginia State Police Insurance Fraud Program.

For insurance investigators and law enforcement, the Sharp Eye Reward can be a great investigative tool. Applications for rewards can be submitted by insurance companies, local and federal law enforcement as well as

State Police. The Reward Committee will determine if that person is eligible to receive a reward as well as the reward amount. The guidelines are below.

AMOUNT OF LOSS	REWARD AMOUNT
\$1,000,000 or more	up to \$25,000
\$100,00 to \$999,999	up to \$15,000
\$25,000 to \$99,999	up to 5,000
Less than \$25,000	up to \$1,000

The Sharp Eye Reward Fund, established in 2003, can pay up to \$25,000 for information leading to the arrest of individuals who commit insurance fraud in the state of Virginia. Anyone who reports suspected insurance fraud to the Insurance Fraud Program, whether or not they are eligible to receive a reward, will remain anonymous.

## The IFP Recognizes Record Number of Fraud Fighters in 2008

The Insurance Fraud Program honored 20 of Virginia's fraud fighters at the Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) Annual Fraud Seminar. This was a record number of recipients for this award that recognizes the outstanding efforts of Virginians involved in the fight against insurance fraud.

Nominees for the Fraud Fighters Award came from the Virginia insurance industry; the law enforcement community; state and federal prosecutors; and other Virginia state agencies. The

## 2008 ANNUAL REPORT



*Captain Steven W. Lambert (standing far left) and Lieutenant W. Roger Rector (standing far right) with the 2008 Fraud Fighters Award winners*

awards were based on the nominees' contributions to Virginia's anti-insurance fraud efforts, which included their involvement and contribution to investigations; prevention and pro-active activities; enforcement; interaction with the insurance community; and financial impact by recoveries and restitution resulting from their fraud-fighting efforts.

### The recipients of the 2008 Fraud Fighters Award were:

- **Fred Champ**, senior investigator with Virginia Farm Bureau Insurance Company. Champ has spent the past 10 years as an investigator with Virginia Farm Bureau. He is both a Certified

Fire Investigator and a Certified Insurance Fraud Investigator. Last year, Champ's investigation of four separate claims saved Virginia Farm Bureau in excess of \$100,000. Two of the cases involved false vehicle theft claims, another one was a claimed fire loss, and the fourth case was an alleged lightning strike. Champ's dedication and hard work combating insurance fraud have made him one of the state's top fraud fighters.

- **Ray LaFountain**, senior special agent, retired, with Nationwide Insurance. LaFountain spent 25 years fighting insurance fraud in Virginia. He was the first Nationwide Special Investigator in Virginia. During that time, he worked thousands of fraudulent claims, saving more than a million dollars, including catastrophe fraud cases during Hurricane Katrina. He's conducted numerous fraud detection seminars to train special investigators, claims associates, claims managers and agents. He also obtained the ultimate in claims law professionalism

as a “Senior Claim Law Associate.” LaFountain participated in Help Eliminate Auto Theft (H.E.A.T) events and meetings, as well as other insurance fraud-related activities. He has been a leader in the fight against insurance fraud in Virginia.

- **VSP Special Agent Peter Lazear**

Lazear’s diligent investigation of a residential structure fire resulted in a denial of a fire loss claim and a savings of more than \$70,000 to Virginia Farm Bureau. The suspect has been arrested and charged with one count of arson with intent to defraud an insurance company and one count of obtaining money by false pretenses. The case is pending trial later this year.

- **Kathy Handley and John Parthum**, senior investigators with the Securities Division of the State Corporation Commission; R. Michael McKenney, commonwealth’s attorney for Northumberland County; C. Jeffers Schmidt, commonwealth’s attorney for Lancaster County. These four recipients of the Fraud Fighters Award are the perfect example of what happens when partnerships develop between law enforcement,

commonwealth’s attorneys and other state agencies. What started as an insurance fraud investigation by the VSP turned up an elaborate embezzlement and money laundering scam. Handley and Parthum were able to obtain enough evidence for 20 felony charges on one person. Prosecutors, McKenney, and Schmidt, then secured a 32-year prison sentence for the suspect.

- **Lieutenant Tim Self**, Lancaster County Sheriff’s Office. Self worked several investigations with a Virginia insurance company. The first was an alleged stolen truck. One year after the F-150 was supposedly stolen, it was stopped, and the driver arrested for DUI and possession of stolen property. Another arrest of the driver’s cousin on charges of stealing the vehicle was made about a week later. The subjects insisted they were given the truck by the insured. Following a suspect’s statement to the insurance company investigator, information was turned over to Self. With this information and a joint investigation with the insurance investigator, Self was able to make a case against the insured for insurance fraud. She was arrested and made full restitution to the

insurance company for \$23,000.

Self also worked on two separate insurance claims for one person. One was the theft of a boat and the other was arson. Self received enough information on the alleged boat theft for him to arrest the insured. The information from this investigation led to warrants being issued for the insured on the arson of a dwelling. Due to Lt. Self's diligence and dedication, these investigations have concluded on a positive note with the identification of the guilty parties and possible restitution of well over \$300,000.

- **Detective Wayne Hunnicutt**, Fredericksburg Police Department. Hunnicutt has been a detective with the Fredericksburg Police Department just a little over two years, but he has already proven himself as a consummate professional who demonstrates his dedication and persistence in clearing cases. Hunnicutt has worked closely with fraud investigators from various credit card and insurance companies, the US Postal Inspectors, as well as other local, state and federal agencies, solving cases involving stolen credit cards, counterfeiting and insurance fraud. This has resulted in a savings

of more than \$55,000 in losses and indictments of suspects. As an example of some of his fraud fighting activities, a Marine who had just been discharged reported a motorcycle stolen from the parking lot of his apartment complex. Fredericksburg Police Department received a "hit" from California that the motorcycle had been recovered and impounded. After further investigation by Hunnicutt, the "victim" confessed to having a friend take the bike to California so he could report it as stolen and collect the insurance money.

- **James L. Camblos III**, assistant commonwealth's attorney for Waynesboro. Camblos played a major role in putting a professional fraudster in prison. Not long after the Insurance Fraud Unit began, the VSP began investigating a man suspected of multiple vehicle-related cases of insurance fraud. Camblos, in his role as the Commonwealth's Attorney for Albemarle County, committed substantial resources to the investigation and the multiple prosecutions of the suspect. The fraudster, Claude Rose, is still in prison today.

- **Zachary Lee**, assistant U.S. attorney for the Western District of Virginia. Lee has been instrumental in the successful efforts of seeking federal grand jury indictments and federal prosecution via trial convictions and felony plea agreements of arson and insurance fraud cases in Southwest Virginia. Lee's efforts have resulted in substantial federal sentences being ordered for the defendants and court-ordered restitutions demanded of the defendants.

The most recent arson and insurance fraud case involved home arson for profit. The Department of Alcohol, Tobacco, Firearms and Explosives (ATF) and the VSP, who conducted the cause and origin investigation of the fire, spent two years investigating the crime; and Lee agreed to seek federal grand jury indictments based on the facts he was presented by the VSP. Three of the four defendants pleaded guilty. All four defendants were sentenced this year. Each faced more than 36 months in federal prison, as well as restitution of approximately \$169,000 to the insurance company that was defrauded.

- **Lieutenant Mark Nash**, Bristol Virginia Fire Department, and ATF K-9 Axel. Nash, and ATF

K-9 Axel, investigated a vehicle fire in Bristol that ultimately turned out to be arson. The owner originally cut down a tree in an attempt to crush the car, but failed to do much damage. The owner then used gasoline to start a fire on the interior of the car. Samples of accelerant soaked debris were recovered based on positive hits by Axel. The owner eventually admitted to disliking the new vehicle and having auto insurance as well as gap insurance coverage.

After the suspect was charged with arson, his family began a personal slander attack on Nash's qualifications and reputation. Nash testified extensively on the fire scene examination and his professional training. The defendant was ultimately found guilty, sentenced to six years probation and had to pay court fines. The Circuit Court judge commented that in his 30 years as an attorney and judge, he had never seen a better prepared and more professional expert witness in any case.

- **Jason Taylor**, an investigator with the Town of Wise Police Department. Taylor solved an insurance fraud case involving a Volkswagen SUV and approximately \$45,000. Not only did

his investigation include mountain climbing, he also hauled a large chunk of the vehicle – the bumper – to the state crime lab for analysis. His many hours of hard work and investigation have given the Town of Wise a very prosecutable case. Taylor is thorough, fast-acting, and his level of investigative work is second to none.

- **Robert L. Bushnell**, Henry County commonwealth's attorney. As a member of the Insurance Fraud Advisory Board, Bushnell has taken a pro-active stance in reaching out to commonwealth's attorneys and increasing their knowledge of insurance fraud. Bushnell secured a 45-minute spot for an insurance fraud presentation at the Spring Institute for the Virginia Association of Commonwealth's Attorneys in April and spearheaded the entire presentation process.
- **VSP Trooper J. L. Peters**. Peters had occasion to investigate a report of a stolen motorcycle in the City of Norfolk. During the course of his investigation, he became suspicious about the circumstances surrounding the events as they

were laid out by the victim. Peters was able to determine the theft had been fabricated by the victim, now a suspect, in order to facilitate a fraudulent insurance claim involving several thousand dollars. After follow-up investigation well beyond the initial report, the suspect was subsequently charged with making a false police report and attempting to obtain money by false pretenses. Had it not been for the persistence displayed by Peters in his investigation, it would have been difficult to successfully prosecute the suspect for insurance fraud.

- **Detective Henry P. McDaniel**, City of Roanoke Police Department. McDaniel was assigned a burglary at a residence in the city of Roanoke. Supposedly, items valued at more than \$17,000 were stolen. The following day the same victim reported a burglary at his place of business with \$14,000 worth of tools taken. Investigation of the residence showed that there was no forced entry and there was a video surveillance system that the victim forgot to activate on the day of the burglary. The victim was not able to provide serial numbers of any of the stolen items. He claimed they were purchased at an auction.

Both the victim and his wife refused to take a polygraph. McDaniel contacted the insurance companies involved to let them know about his suspicions. The insurance companies confirmed the victim made several claims; however, as a result of McDaniel's investigation the insurance companies only reimbursed the victim for those items he could prove he owned. This saved the insurance companies over \$30,000 in payouts.

- **Sean Morgan**, senior assistant commonwealth's attorney for Loudoun County. Morgan was a previous recipient of a Fraud Fighter Award for successfully prosecuting an insurance fraud case based on the alleged theft of more than \$1.2 million worth of collectible German military memorabilia from World War II. Since that time, Morgan has become actively involved in raising awareness among commonwealth's attorneys about the crime of insurance fraud. He agreed to be part of the panel that presented at the Virginia Association of Commonwealth's Attorneys' Spring Institute in April. In addition to Morgan's role on the panel

as a prosecutor, he developed and researched the original PowerPoint presentation on which the presentation was based.

- **Criminal Investigators John Hawse and Denise Lawhorn**, Virginia Department of Taxation and Culpeper County Commonwealth's Attorney Dale Durrer. Hawse and Lawhorn played a key role in the investigation of a Culpeper couple who were ultimately arrested on multiple felony charges. A Virginia State Police investigation into suspected workers' compensation insurance fraud uncovered years of fraudulent tax filings by the couple. As a result of a 12 month investigation by the VSP and the Dept. of Taxation, Durrer was able to put together a total of 71 felony indictments charging the couple with filing false tax returns, obtaining money by false pretense, grand larceny and solicitation. The result of this partnership between the VSP and the Va. Dept. of Taxation was the discovery of evidence that may have been missed if the case had not been worked jointly.

## IFP Produces Educational Video

“Insurance fraud occurs when anyone tries to make money from insurance transactions by deception,” is the opening line for the new five-minute insurance fraud DVD produced by the IFP in 2008.

Unlike the law enforcement and insurance industry training CD produced by the IFP in 2007, this educational DVD was developed with Virginia citizens as the primary audience. The content is intended to raise their awareness of insurance fraud and provide information about what they can do to combat this crime that impacts all Virginians.



The DVD includes facts about insurance fraud including workers' compensation, how insurance fraud affects Virginians, and how viewers can keep themselves from becoming victimized by fraudsters and scammers. Brief vignettes focus on vehicle fraud, homeowner-related fraud and workers' compensation. The DVD also refers viewers to the IFP Web site, [www.StampOutFraud.com](http://www.StampOutFraud.com), for information about insurance fraud, the Sharp Eye Reward Program and reporting suspected insurance fraud.

The video is currently posted on [www.StampOutFraud.com](http://www.StampOutFraud.com).

It has been incorporated into the IFP displays and aired at public events such as safety days, fairs, festivals and in cooperation with the H.E.A.T. Program's VIN etching events.

# The Fight Against Insurance Fraud Goes Viral

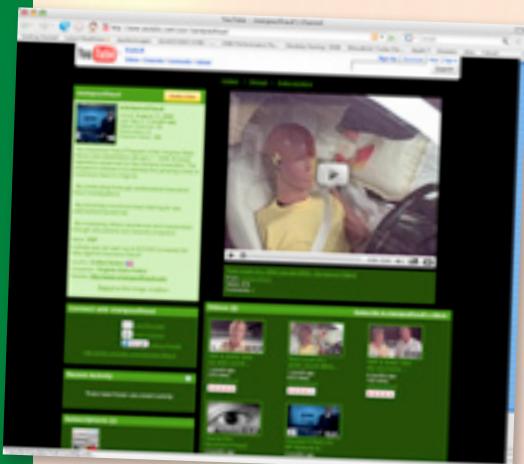
The backbone of the Insurance Fraud Program is the public awareness campaign, which is essential to the promotion of the “Sharp Eye” reward, the Web site and toll-free hotline along with educating the commonwealth’s citizens about

insurance fraud – how to keep from being victimized and the consequences of committing insurance fraud.

The IFP strives to use unique advertising and public awareness tactics in its outreach efforts. In 2008, the IFP’s public awareness and advertising endeavors went viral with the entry into the digital world of social

networking. The IFP now has a fan page on [Facebook](#) and a [YouTube](#) channel. Both of these can be easily accessed via the Web site, [www.StampOutFraud.com](http://www.StampOutFraud.com).

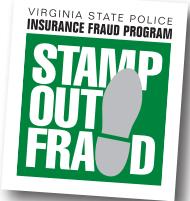
In addition to Facebook and YouTube, the IFP stepped up its presence in the digital world by redesigning the Web site and also using Search



Engine Optimization (SEO) and Pay-Per-Click advertising. This allows the Web site to achieve more exposure on major search engines such as Google, Yahoo and MSN. More than 50 percent of the visitors to StampOutFraud.com come to the site from search engines.

From February through May of 2008, the IFP ran the blinking “Sharp Eye” television commercial,

## 2008 ANNUAL REPORT



which emphasizes the \$25,000 insurance fraud reward. The same public awareness spot also ran from November through early December, with the exception of the Richmond market. Those ads ran in August through mid-September. The decision was made to run the ads later than last year so they wouldn't get lost in the election advertising clutter. Placement for both commercials was on network and cable outlets in Richmond, Roanoke, Tidewater and the Tri-Cities area. Harrisonburg's WHSV-TV13 was added to the fall mix.

The IFP's traveling billboard – the "Sharp Eye" Ford Expedition – proved the power of

advertising and kept one insurance company from paying a potentially bogus claim. The vehicle was parked outside a claims office of a well-known insurance company, when a claimant, who had an appointment with the SIU, saw the Expedition, called the investigator, cancelled his appointment and withdrew his claim. He was convinced the State Police were there to arrest him. In reality, the Expedition was parked outside the claims office because a training program was being conducted for claims professionals.

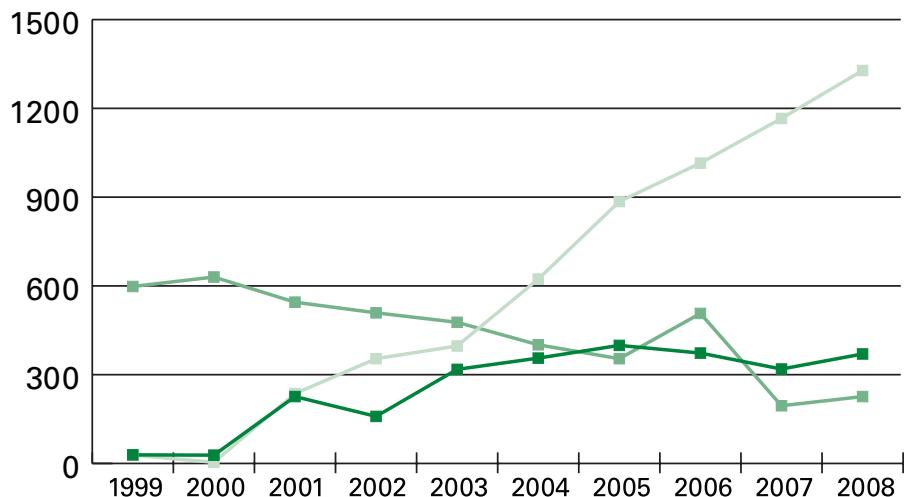
In addition to training events, the Expedition could be seen at VIN etchings in conjunction with the Help Eliminate Auto Theft Program (H.E.A.T.), insurance company fraud awareness days, several Virginia State Police public safety days, and other special events.

The IFP's online presence has meant a substantial increase in the number of notifications received via the Internet. In 2008, more than 1,300 citizens,



## NOTIFICATIONS

Hotline      WWW      Other



insurance investigators and members of law enforcement sent insurance fraud notifications to the IFP through the Web site, [www.stampoutfraud.com](http://www.stampoutfraud.com). This is a 13.9 percent increase from the previous year. After a 14.5 percent decline in notifications received by the IFP on the toll-free hotline in 2007, the number of fraud-related calls were up by 16 percent in 2008.

The traditional elements of the IFP's STAMP OUT FRAUD campaign continue to be used. These include the Stamp Out Fraud



Logo, which has become the brand for the VSP Insurance Fraud Program; the toll-free hotline; and the Web site. The IFP also produced two, new companion brochures in 2008 – Homeowner's Insurance Fraud and Vehicle Insurance Fraud – to accompany the existing, comprehensive brochure, which is also available in Spanish.

Insurance Fraud Awareness Week, May 4 – 10, received recognition once

more by Governor Timothy M. Kaine. Governor Kaine issued an insurance fraud proclamation that was presented by Captain Steven W. Lambert during the Virginia Chapter of the International Association of Special Investigation Units (VIAISIU) annual training seminar.

One-page advertorials were again purchased to coincide with Insurance Fraud Awareness Week and the announcement of the Fraud Fighters Award recipients. The purchase of the advertorials included the Richmond Times Dispatch, the Virginian Pilot, the Roanoke Times and newspapers published by the Washington Suburban Press. The advertorial was also translated into Spanish and placed in Hispanic newspapers in Northern Virginia.

During 2008, the IFP distributed 26 news releases to in-state media, as well as insurance-related media. Topics included the increase in insurance fraud arrests, Insurance Fraud Awareness Week, Fraud Fighters Award news, insurance fraud cases, and auto theft and insurance fraud holiday safety tips.

The IFP's communication efforts received several awards in 2008 for its public relations achievements and the work of the IFP's marketing firm, Neathawk, Dubuque & Packett. The Virginia Press Women presented Pamela Jewell, program support manager, with four awards including two first place certificates,

which were for the 2006 Annual Report and the Training CD. The Annual Report went on to receive third place in the National Federation of Press Women's competition. The 2006 Annual Report and the Training CD also received Bronze Certificates from the Richmond Chapter of the Public Relations Society of America. The Training CD also received a Communicator Award.

*Lieutenant W. Roger Rector receives Communicator Award from Roger Neathawk of ND&P.*



# Insurance Fraud Cases

*Below are synopses of some of the more notable Virginia insurance fraud cases that made it through the courts in 2008.*

## Sentencing Brings an End to Virginia Family's Insurance Fraud Scams

The final chapter was written for one of the most notorious white collar crime families in southwest Virginia when they were sentenced in U.S. District Court in Abingdon, Va. for their role in arson-for-profit scheme. The four fraudsters will have to serve a total of 192 months in federal prison and make restitution to the insurance company of more than \$169,000.

This is the final arson case involving this southwest Virginia family. One of the defendants in this case was at the center of multiple investigations in Lee County, Va. He is currently serving two concurrent 175-month federal sentences and making restitution of approximately \$300,000.

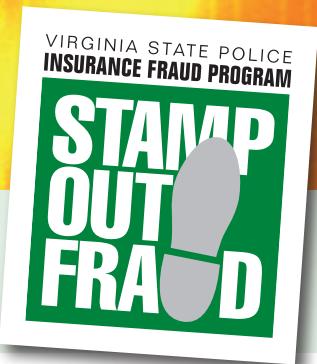
In June of 2002, the claimant conspired with the Ewing, Va., family, to destroy her Norton, Va. residence and collect the insurance money.

An investigation by the VSP Insurance Fraud Unit, and the Bristol, Va. field office of the Bureau of Alcohol, Tobacco, Firearms and Explosives revealed that she offered to pay the family \$20,000 to burn her house. Valuables were removed from her residence prior to the arson. Some of the items were sold and the remaining items were recovered four years after the fire. The claimant filed her bogus fire loss damages via the telephone and the U.S. Postal Mail Service, thus committing mail and wire fraud.

All four participants were convicted of Conspiracy to Commit Mail Fraud for Profit (Insurance

Fraud Purposes) and sentenced in June. The fraudster who submitted the false claims received 63 months in prison. The head of the crime family was sentenced to 57 months in prison to run concurrently with his current federal prison sentence of 175 months. The other two family members were sentenced to 36 months each in prison. They will also be under supervised probation for three years following their release from prison.

All four defendants were ordered to pay restitution to the insurance company in the amount of \$169,095.39 at the rate of \$25 monthly while in prison and will continue to pay \$100 a month restitution beginning 60 days after their prison release. Each will also pay a court assessment fee of \$100.



## Fraudster Deceives Virginia Community and Lands a Year in Jail

A Henrico County resident “wronged an entire community” said the assistant commonwealth’s attorney at the fraudster’s September sentencing in Henrico County Circuit Court.

An investigation by the VSP revealed he was fraudulently receiving goods and services from the Virginia Department of Rehabilitative Services (DRS). He was subsequently arrested in 2006. The Henrico County man blamed a 2005 car accident for aggravating neck injuries received in a 2001 crash.

After the 2005 accident, the 34-year-old man, who claimed to be wheelchair-bound, was receiving assistance from the DRS, from a church providing him with a handicap-accessible van and from

Meals on Wheels. He also made a \$1.2 million claim against his insurance company.

During the trial in May, however, surveillance videos revealed a man capable of mountain climbing, lifting groceries from the trunk of a car and mowing a lawn. The suspect also ran an 8k marathon in November 2007. After a four-day trial, he was found guilty of defrauding the DRS of more than \$26,000 and attempting to defraud an insurance company out of \$1.2 million.

In the sentencing hearing, the assistant commonwealth’s attorney said this fraudster took advantage of other people’s sympathy, made a mockery of the system, and deceived the people who trusted him – he led a double life.

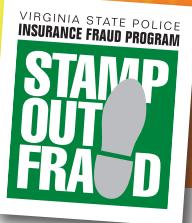
The Circuit Court Judge sentenced the Virginia man to ten years – one year in jail with nine

years suspended on the fraud charge – and ten years suspended on the attempt charge. He will also have to make full restitution to DRS in the amount of \$26,621.59. The case is being appealed.

## Culpeper Preacher Sentenced For Insurance Fraud and Tax Evasion

A Culpeper, Va., preacher, who pleaded guilty to 20 felony charges of fraudulent workers’ compensation claims, taking money under false pretense and tax evasion, will be writing his sermons in prison for the next four years.

This case began when a VSP insurance fraud special agent opened an investigation based on a complaint and quickly found more to it than just a preacher receiving a few extra bucks. His investigation revealed claims that reached back to November 2000 and involved two separate workers’ comp claims with



# Insurance Fraud Cases

two different insurance companies. Not only was workers' compensation involved, but there were also discrepancies in how the preacher and his wife reported their income to the Virginia Department of Taxation. Joint investigation with the VSP and the Department of Taxation uncovered the fact the couple were manipulating the church payroll, workers' comp and their tax returns to benefit them financially. The preacher received more than \$27,000 in fraudulent workers' comp benefits over a six-year period.

In June, the preacher pleaded guilty to three felonies for filing false information with the Virginia Workers' Compensation Commission; five felonies for obtaining money by false pretenses from two insurance companies; nine felonies involving obtaining money by false pretenses from the church

where he was a minister; and three felonies and one misdemeanor for making materially false statements on a Virginia tax return. Also, as part of the plea agreement, the charges against his wife were dismissed. The fraudster was sentenced to five years each on the 20 felony charges, for a total of 100 years. The judge suspended all but four years, which the Culpeper County resident will have to spend in prison. He was also sentenced to 12 months on one misdemeanor charge, which was suspended.

The judge also ordered total restitution in the amount of \$39,000; \$25,000 to the insurance companies involved and \$14,000 to the commonwealth for tax evasion. Upon his release from prison, he will be on probation until he has made full restitution.

## Fraudulent Pre-Need Contracts Bury Virginia Funeral Home Owner

The owner and operator of a southwest Virginia funeral home was sentenced in November to 34 months in jail and 10 years probation for swindling his clients out of almost \$100,000.

This Duffield, Va., man took money from funeral home clients who thought they were purchasing pre-need funeral contracts. They were told their money would be placed in a trust within three days of signing the contract. When the funeral home went out of business abruptly, his clients began calling to find out the status of their funds and their pre-need contracts.

That was when the VSP Insurance Fraud Unit began investigating the suspect and his funeral home operations. The special

agent discovered the pre-need contracts had not been purchased and the money had never been placed in a trust fund.

The fraudster pled guilty in August to 25 felonies including obtaining money by false pretense, forgery, false statement and false application. He also pled guilty to 17 misdemeanors related to failure to meet or purchase required pre-need funeral contract.

In addition to serving jail time, this convicted felon must also pay a total of \$17,829.26 in restitution to the four families he has not repaid, as well as reimburse prosecution-related costs of more than \$3,000 to the Scott County commonwealth's attorney's office and Eastman Credit Union. He will remain on probation until restitution is complete.

### **Tennessee Man Sentenced for Workers' Comp Fraud in Virginia**

The Tennessee trucker who was arrested in Virginia and charged with 193 counts of workers' compensation fraud was sentenced in November in Washington County Circuit Court. The fraudster was ordered to make full restitution in the amount of \$159,898.71 to the insurance company that he defrauded.

The fraudster pled guilty to 75 of the 193 felony charges and was sentenced to a year in the state penitentiary on each charge to run consecutively. All but one year was suspended, and he will be on supervised probation for three years after completing his year in prison. In addition, this convicted felon will no longer be entitled to workers' compensation benefits in Virginia.

The Blountville, Tn., man was

working for a trucking company out of Bristol, Va., when he was involved in a traffic accident in 1994 and began drawing workers' compensation in Virginia.

Investigation by a VSP insurance fraud special agent revealed that while the suspect was receiving workers' compensation for his 1994 injury, he was operating a power washing business, as well as driving over-the-road for another trucking company. When he maxed out his workers' compensation benefits, the Tennessee man applied for Social Security Disability Insurance. As a result of defrauding Social Security Disability Insurance, he was sent to federal prison in Kentucky. He was picked up by VSP special agents upon his release and brought to Washington County where he was arrested on 193 felony charges of "obtaining money by false pretense."



# Insurance Fraud Cases

## Virginia Man Sentenced For Arson and Insurance Fraud

Everyone knows the old line “the dog ate my homework,” but how about blaming the dog for arson. A Bristol, Va., man must have thought that was a pretty good reason for his mobile home catching on fire – at least that’s what he told his insurance company.

According to the VSP, the man told Bristol, Va., police his home had been burglarized and numerous items were stolen. A Bristol detective quickly located many of the items that were reported stolen. They had been placed in storage.

During the investigation, the “victim” signed a confession admitting to burning his Russell County mobile home. The fire was originally determined to be accidental. The fraudster told his

insurer the family dog knocked over a lamp and ignited paint thinner.

Investigation by a VSP insurance fraud special agent revealed the insurance company paid him \$8,500 for the mobile home that was intentionally burned, \$1,564 for additional living expenses, and \$40,000 for his personal effects, for a total of \$50,064.

The man pled guilty in Russell County Circuit Court, November 18, to both arson and insurance fraud. He was sentenced to two months in the state pen and ordered to make restitution to the insurance company in the amount of \$53,932.10.

## Virginia Woman Sentenced for Cashing Fraudulent Insurance Check

A Norfolk, Va., woman’s blessing turned into a curse when she was sentenced to the Virginia State

Penitentiary for the crime of insurance fraud.

According to a VSP insurance fraud special agent, the suspect claimed the life insurance settlement check she received for her son who died in 2003 was “a blessing.” However, that blessing turned out to be a forgery.

In May 2005, she cashed a \$4,250 check at a check cashing service in Norfolk, Va. The check was returned to the service after the bank determined the check was fraudulent. Investigation by the VSP uncovered numerous discrepancies with the check, including the incorrect name of the insurance company. The suspect also gave a bogus address to the check cashing service.

This fraudster was found guilty of obtaining money by false pretense,

forgery and uttering. As a result she was sentenced to a total of nine years in prison. She will have to serve three years and seven months – the remainder of the sentence was suspended with five years supervised probation. She was also ordered to make full restitution to the check cashing service in the amount of \$4,250.

### **Virginia Man Sentenced For Disability Insurance Fraud**

A Henrico County, Va., man was found guilty of two counts of grand larceny for receiving disability benefits illegally, and now it's payback time.

An investigation by a VSP insurance fraud special agent revealed the suspect's disability began in August 2006 following surgery for a non-work-related back injury; and he went back to full-time

employment in December 2006 after he was cleared to return to work. However, he continued to receive disability benefits after returning to work.

The fraudster was ordered to make full restitution to the insurance company in the amount of \$24,101.65 for illegal disability benefits he received from December 2006 through March 2007. Sentenced in Henrico County Circuit Court, the man also received four years, suspended, on each grand larceny charge.

### **Mother and Son to Pay for Insurance Fraud in Virginia**

A Virginia woman and her son, who lied to the insurance company when he crashed her car pled guilty to insurance fraud, were sentenced to 10 years supervised probation, and ordered to make full restitution

of \$12,540 to the insurance company.

The Rose Hill, Va., woman filed a claim with her insurance company stating she was the driver of the vehicle and her son was a passenger when she crashed. Not only did she file a claim for her vehicle, but she also alleged her son was injured in order to collect insurance for bodily injury.

An investigation by a VSP insurance fraud special agent revealed the son had actually been the driver of the crashed vehicle, and his mother had not even been in the vehicle when it was wrecked. The insurance claim was for both the damage to the mother's car and her son's injuries as a passenger.

Mother and son were arrested and charged with obtaining money under false pretense. They both pleaded guilty. The Lee County

# Insurance Fraud Cases

Circuit Court Judge sentenced both of them to 10 years supervised probation and ordered them to pay \$12,540 in restitution to the insurance company. Mom has to make monthly payments of \$300, and her son was ordered to pay \$500 monthly. As part of their sentence, they have to appear before the court if any payments are missed, and their probation will be extended until restitution is made in full.

## **Virginia Woman Arrested for Health Care Fraud**

A Norfolk, Va., woman was arrested in December and charged with one count of health care fraud and six counts of false statements relating to health care matters.

The forty-year-old woman is suspected of staging two vehicle crashes in Norfolk, one crash in

Chesapeake and one in Elizabeth City, NC. A joint investigation by the VSP insurance fraud special agents and the FBI alleges that in three of the wrecks, cars were deliberately crashed into each other and passengers, including children, were added to the insurance claim for bodily injury payment.

The medical bills, when examined closely, appeared to have been altered either to inflate the amount of the charge, or to make it look as if she had paid the hospital bills out-of-pocket, when in fact she had not. Also, the bills appeared to be completely fabricated to make it look as though her children had been seen by medical providers when they had not.

Her trial is tentatively set for March 23-25 in U.S. District Court in Norfolk.

## New Insurance Fraud Special Agents Go Online

The IFP welcomed two new special agents to the Fraud Squad in 2008. Their experience and investigative expertise raise the bar for insurance fraud investigations.

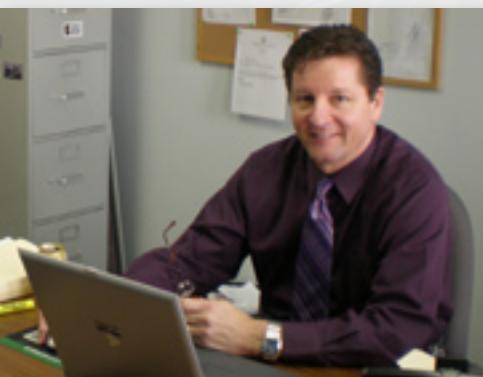
### Special Agent Michael A. Rios, Jr.

Mike Rios began his law enforcement career at the Suffolk Police Department in 1979. Rios became a VSP trooper in 1986 and in 1993 was promoted to sergeant in the Bureau of Field Operations. In 2004 he transferred to the Bureau of Criminal Investigation and spent the next four years as a special agent in the Drug Diversion Unit

and the High Tech Crime Unit. Rios joined the IFP in February 2008 and works in Division 5, Chesapeake.

When asked his thoughts on insurance fraud, Rios remarked that insurance fraud is a whole different animal. "Good people seem

to be drawn to do bad things when times are tough or become greedy and take advantage of the system" Rios said. "It doesn't make the crime less heinous, but it's a crime we all pay for. That's why it's so interesting to be in this program. Our efforts help to protect the interests of more than just one person."



Special Agent Michael A. Rios, Jr.

### Senior Special Agent Fred A. Solomon

Fred Solomon spent more than 16 years as an auto theft agent with the Department before transferring over to insurance fraud. Solomon joined the VSP as a trooper in 1973, working the road until he was promoted to Sergeant in 1982. It was a job he did for 10 years before he became a special agent working in the auto theft unit in Division 3, Appomattox.

Solomon said, "I'm excited about working in insurance fraud. I spent 16 years in auto theft and the two disciplines really go hand-in-hand. I'm looking forward to using what I learned as an auto theft investigator in my insurance fraud investigations."

While employed by the department, Solomon attended James Madison University, where he received a B.A. in History. Solomon is an outdoor kind of guy and when he's not investigating insurance fraud, he's trying to wear out his hiking boots or casting a line in one of Virginia's many rivers.



Senior Special Agent Fred A. Solomon

# Insurance Fraud Program Activity Report

January 01, 2008 through December 31, 2008

1. Number of notifications received	<b>1,924</b>	7. Number of cases involving injury/casualty fraud	<b>653</b>	13. Number of cases adjudicated	<b>422</b>
A. Hotline	<b>370</b>	A. Motor Vehicle/Auto	<b>253</b>	14. Number of arrests for insurance fraud	<b>307</b>
B. Web	<b>1,328</b>	B. Homeowners	<b>21</b>	15. Number of convictions for insurance fraud	<b>174</b>
C. Other	<b>226</b>	C. Commercial	<b>58</b>	A. Felonies	<b>153</b>
2. Number of notifications sent to unopened case file	<b>936</b>	D. Workers' Compensation	<b>230</b>	B. Misdemeanors	<b>21</b>
E. Other		E. Other	<b>91</b>	16. Number of arrests for related offences	<b>62</b>
3. Number of investigations initiated	<b>808</b>	8. Number of cases of actual fraud (collected)	<b>218</b>	17. Number of convictions for related offences	<b>42</b>
4. Number of notifications referred to other BCI Divisions	<b>53</b>	9. Number of cases of attempted fraud	<b>714</b>	18. Total amount of restitution ordered	<b>\$1,277,921</b>
5. Number of notifications referred to other agencies	<b>55</b>	10. Total Amount of claimed loss (collected)	<b>\$3,129,843</b>	19. Number of fraud awareness presentations	<b>46</b>
6. Number of cases involving property fraud	<b>1,183</b>	11. Total Amount of claimed loss (attempted)	<b>\$9,168,380</b>	20. Number of persons contacted	<b>8,174</b>
A. Motor Vehicle/Auto	<b>789</b>	12. Number of cases presented to Commonwealth's Attorneys	<b>278</b>		
B. Homeowners	<b>256</b>				
C. Commercial	<b>53</b>				
D. Other	<b>85</b>				



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Bureau of Criminal Investigation

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