

# 2013 ANNUAL REPORT

VIRGINIA STATE POLICE  
**INSURANCE FRAUD PROGRAM**

**STAMP  
OUT  
FRAUD**



## Report From the Superintendent



**Colonel  
W. Steven Flaherty**  
Superintendent  
Virginia State Police

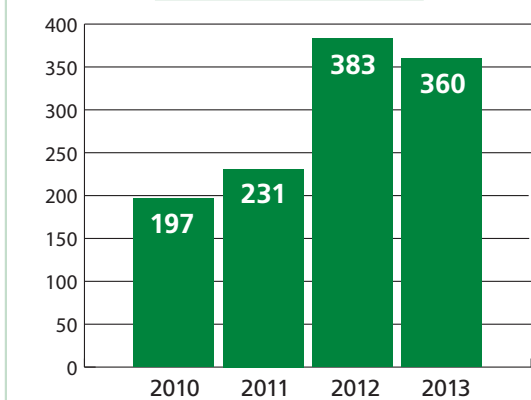
The Virginia State Police (VSP) Insurance Fraud Program (IFP) is holding steady in the fight against the crime of insurance fraud, with the number of notifications received by the IFP and arrests for 2013 remaining relatively unchanged.

The impact of insurance fraud can be felt on all levels of the economy in both Virginia and the United States. With the exception of tax evasion, no other white-collar crime robs Virginians more than insurance fraud.

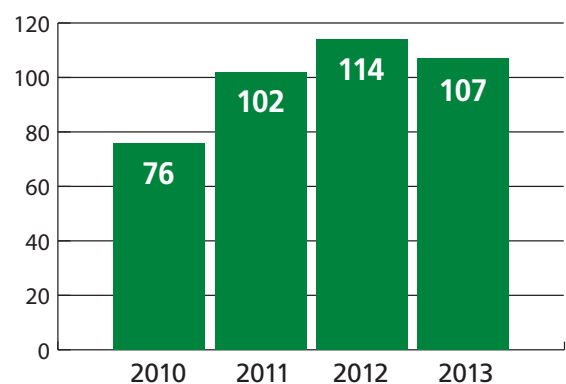
In 2013, the IFP received 1,994 notifications of suspected insurance fraud, just slightly more than the number of notifications received in 2012. Since 1999, when the Program began, more than 21,000 referrals have been made to the VSP. Insurance fraud special agents opened 457 cases in 2013, which is consistent with the number of cases opened in 2012, and made 360 arrests for insurance fraud and other related crimes.

Court-ordered restitution was more than \$255,000 in 2013, which brings the total of ordered restitution since the program began in 1999 to more than \$18 million. Suspected false insurance claims reported to the IFP since 1999, both attempted and collected, totaled more than \$159 million.

**ARRESTS**



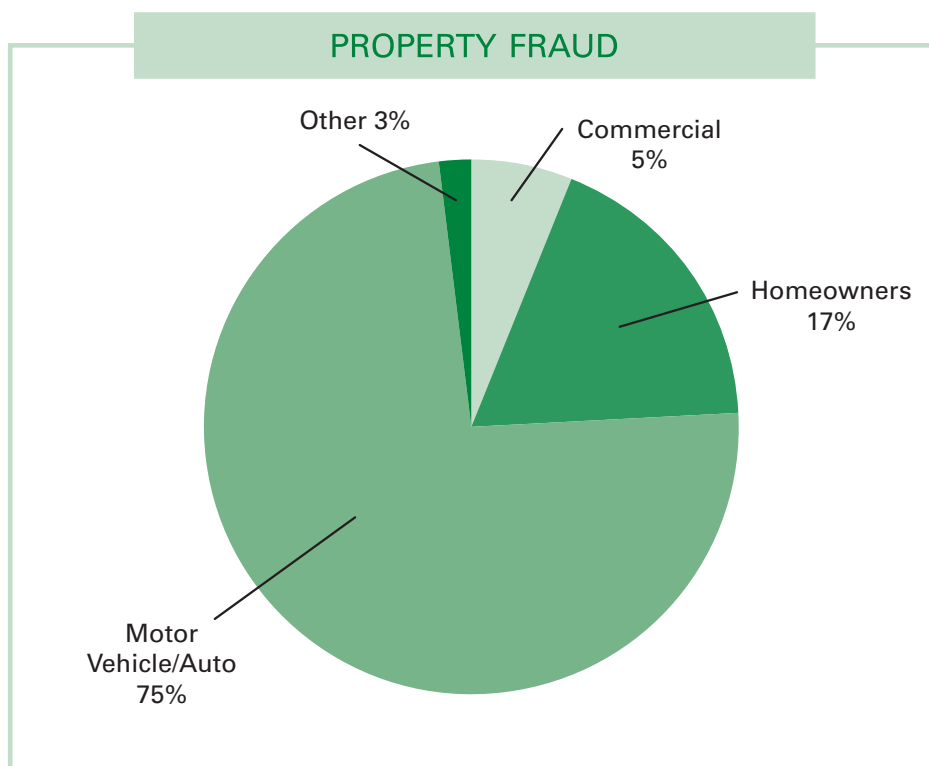
**CONVICTIONS**



Over the 15 years the program has been operating, 5,031 fraud investigations have been initiated, and agents have made a total of 2,282 arrests for insurance fraud. In 2013, the IFP presented 96 cases to the commonwealth's attorneys, and 300 cases were adjudicated – more than double the number of cases adjudicated in 2012. The large number of adjudicated cases can be attributed to additional charges being brought about after being reviewed by the commonwealth's attorney, or it may reflect cases opened in previous years that went to court in 2013.

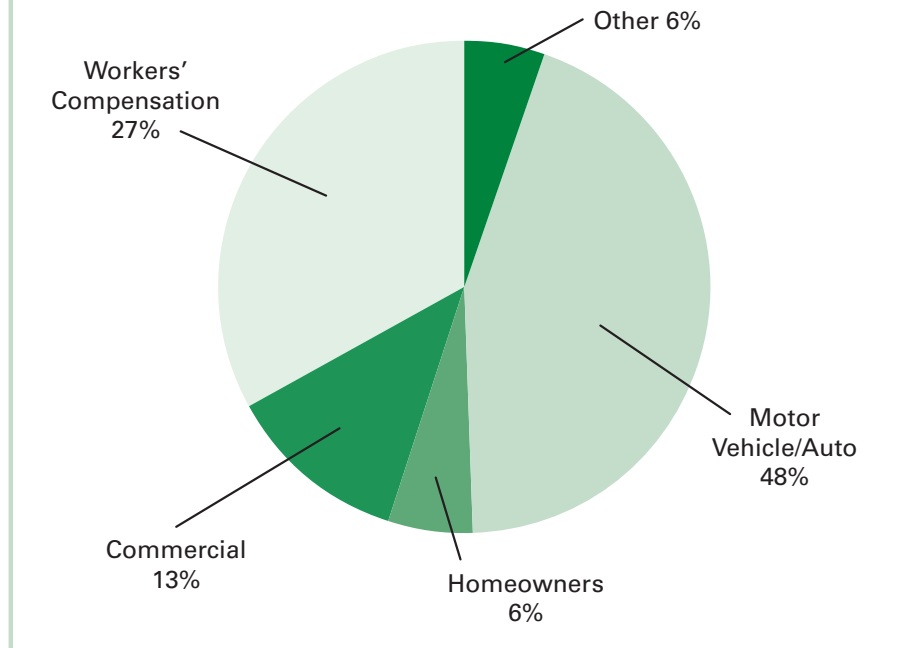


As required by Virginia law, the VSP investigates suspected fraud in property and casualty lines of insurance, as well as suspected workers' compensation fraud. The 2013 statistics show 1,117 property fraud-related notifications were received by the IFP. Notifications involving injury and casualty fraud totaled 551, of which 36 percent were for worker's compensation claims, the same percentage as 2012. Vehicle fraud is the largest percentage in both categories.



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## INJURY AND CASUALTY FRAUD



The IFP's sponsorship of the Red Flag Training continued for a fourth year, bringing together commonwealth's attorneys, VSP special agents and insurance company investigators to share information about investigating and prosecuting insurance fraud. The four-day training was organized by the Commonwealth's Attorneys' Services Council.

Governor Robert F. McDonnell also issued a proclamation declaring the week of May 12-18, 2013, as Insurance Fraud Awareness Week. The proclamation was presented to the insurance industry at the Virginia Chapter of the International Association of Special Investigation Units (VA IASIU) annual seminar. Insurance Fraud Awareness Week has been recognized by Virginia's governors since 2002.

Banner advertising was used from November 2012 to July 2013, reaching out to consumers via the Internet and directing them to the StampOutFraud.com website for more information about insurance fraud. The ads had more than 10.7 million impressions, which means the ads were served on the page and had the possibility of being seen by 10.7 million viewers. More than 174,000 viewers actually clicked on the ad and went to the site.

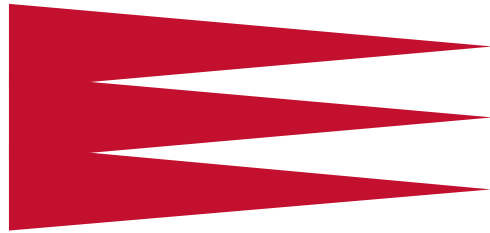
We look forward to 2014 and continuing the successful fight against insurance fraud. The Virginia State Police would like to thank everyone who has contributed to our success. The Insurance Fraud special agents and analysts, the insurance industry, commonwealth's attorneys and Virginia's citizens are all to be commended for their efforts to stamp out fraud in the commonwealth. Working together, with a "sharp eye" for criminals, we can continue to Stamp Out Fraud in Virginia.



# The Red Flags of Insurance Fraud

## Training for Investigators and Prosecutors

A red flag in insurance fraud can often be an indicator for potential fraud. Being able to recognize those red flags and knowing how to act on them is crucial to successful investigations and prosecutions of insurance fraud cases.



### Red Flag

investigators, has become the commonwealth's annual, premier insurance fraud training. This year, the fourth year for Red Flag, Smith Mountain Lake was the training site. Forty-five students attended the three-day training – 15 each from the Virginia State Police Insurance Fraud Unit, insurance company investigators and commonwealth's attorneys.

Historically, teamwork has been the focus of the training, but in 2013, a strong emphasis was put on case studies. Over the course of the training, three case studies were presented by the teams who actually worked the case – the VSP special agent, the insurance investigator and the commonwealth's attorney. Topics included workers' compensation, staged accidents and prior auto damage.

A first for the training program was a live burn and arson dog demonstration. The program's other lectures included the basics of insurance fraud investigations and fraud indicators, prosecution strategies and methods, criminal defenses and procedure, investigative resources and fraud-fighting technology.

Developed by the IFP, the Commonwealth's Attorneys' Services Council and the Virginia Chapter of the International Association of Special Investigation Units, the Red Flag training was made possible by a grant from the Virginia State Police Insurance Fraud Fund. The training was organized and presented by the Commonwealth's Attorneys' Services Council with faculty representing all facets of law enforcement, the legal profession and the insurance industry. Since 2010, over 172 investigators (including Virginia State Police) and prosecutors have been trained.

In an effort to provide insurance fraud training to both investigators and commonwealth's attorneys, the Red Flags of Insurance Fraud training was developed in 2010. This tuition-free training, which is provided to prosecutors and



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## Outstanding Fraud Fighters Receive Awards in Virginia



Pictured here are Virginia's 2013 Fraud Fighters. On the back row, from left to right, are Franklin County Assistant Commonwealth's Attorney Patrick Nix, VSP Special Agent Scott Mitchell, VSP Special Agent Brandon Blakey (receiving the award for Sergeant Phillip Edmonds,) VSP Senior Analyst Cindy Waters, City of Danville Assistant Commonwealth's Attorney Coleman Adams, VSP Senior Special Agent Melanie Franklin. Pictured on the front row, left to right, are VSP Senior Special Agent Rick Elgin, BOI Investigator Larry Beadles, City of Chesapeake Deputy Attorney Derek Wagner, BOI Supervisor Juan Rodriguez and BOI Investigator Michael Nacy.



Sixteen Virginia "Fraud Fighters" were recognized during the Virginia Chapter of the International Association of Special Investigation Units (VA IASIU) Annual Fraud Seminar in Richmond. The award was established in 2005 by the IFP to recognize those individuals who set the standard for fighting insurance fraud in Virginia.

Nominees for the Fraud Fighters Awards came from the Virginia insurance industry, the law enforcement community and the commonwealth's attorneys. The awards were based on the nominees' contributions to the Virginia insurance industry anti-fraud efforts, which included their involvement and contribution to investigations; prevention and proactive activities; enforcement; interaction with the insurance community; and financial impact by recoveries and restitution resulting from their fraud-fighting efforts.

(left to right)  
VSP Special Agent Accountant Chuck Myers, BOI Investigator Larry Beadles, BOI Investigator Michael Nacy, VSP Senior Special Agent Fred Solomon, City of Charlottesville Deputy Commonwealth's Attorney Claude Worrell II and BOI Supervisor Juan Rodriguez.

## The recipients of the 2013 Fraud Fighters Award were:

### Insurance Agent Fraud

- Bureau of Insurance
  - Supervisor Juan Rodriquez
  - Senior Investigators Larry Beadles and Michael Nacy
- Virginia State Police
  - Special Agent Fred Solomon
  - Special Agent Accountant Chuck Myers
- City of Charlottesville Commonwealth's Attorney's Office
  - Deputy Commonwealth's Attorney Claude V. Worrell

### Property Fraud

- City of Chesapeake Commonwealth's Attorney's Office
  - Deputy Commonwealth's Attorney Derek Wagner

### Vehicle Fraud

- Virginia State Police
  - Special Agent Phillip Edmonds
- GEICO Insurance Company
  - Special Investigator John Ghetti

### Staged Accidents

- Virginia State Police
  - Special Agent Scott Mitchell

### Tax Fraud and Money Laundering

- Virginia State Police
  - Senior Analyst Cindy Waters
- Franklin County Commonwealth's Attorney's Office
  - Assistant Commonwealth's Attorney Patrick Nix

### Workers' Compensation

- Virginia State Police
  - Senior Special Agent Melanie Franklin
- Danville Commonwealth's Attorney's Office
  - Assistant Commonwealth's Attorney Coleman Adams
- Henry County Commonwealth's Attorney's Office
  - Commonwealth's Attorney Robert L. Bushnell

### General Insurance Fraud Investigations

- Virginia State Police
  - Senior Special Agent Rick Elgin



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## Sharp Eye Reward Fund Update

The Sharp Eye Reward was established in 2004 to encourage citizens to report suspected insurance fraud. The reward pays up to \$25,000 for information leading to the arrest of an individual or individuals who commit insurance fraud in the commonwealth of Virginia.

In 2013, two \$1,000 rewards were awarded to two individuals. The Sharp Eye Reward Fund has paid \$85,250 to 25 recipients in 22 cases. Applications for rewards can be submitted by insurance companies, local and federal law enforcement, and state police.

**A sharp eye  
can earn up  
to \$25,000.**



The reward committee, composed of 12 members from the VSP, the insurance industry, local law enforcement and a commonwealth's attorney, determine if applicants are eligible to receive a reward, as well as the reward amount.

### **The reward amount is based on the following criteria:**

- The importance of the information
- The nature of the crime
- The risk to the source
- The importance of the witness

Only property and casualty lines of insurance are addressed by the committee, and the investigation must be complete and an arrest made before the reward is considered. If more than one person furnished information about the same incident, the reward shall be divided based primarily upon the relative importance of the source's information.

Insurance professionals, the perpetrator or co-perpetrator of the crime, the crime victim and Virginia sworn law enforcement officers, jailers, corrections officers and members of their immediate family are ineligible for a reward. The final determination on the Sharp Eye Reward is made by the VSP Superintendent.



# New Insurance Fraud Research Study Conducted In 2013

A statewide research project on Virginians' attitudes regarding insurance fraud, funded by the Insurance Fraud Program, was completed in 2013.

The study, designed to track attitude changes since benchmarking research was conducted in 2000 and replicated in 2005, indicated attitude changes over the 13-year time frame. The questionnaire used for this year's survey duplicated the 2000 and 2005 survey questions, with a few changes. The Executive Summary can be found at <http://stampout-fraud.com/Portals/0/PDF/2013InsuranceFraudStudyWEB.pdf>.

Six key issues were covered, which included evaluation of fraudulent behaviors; perceived prevalence of fraudulent behaviors; knowledge and awareness of insurance fraud; personal experience with fraud; likelihood of reporting suspected fraud cases; and awareness of the VSP Insurance Fraud Program.


Key findings of the survey indicate Virginians continue to grow less trusting. The number of respondents believing most people can be trusted dropped from 40 percent in 2000 to 16 percent in 2013. In the two previous studies, almost six in ten respondents believed individuals should "always obey the law." In 2013, that number declined to fewer than four in ten.

Fewer Virginians believe that morality is a personal matter. Those strongly disagreeing with the belief that "morality is a personal matter" and "right/wrong is a matter of personal conscience" has essentially doubled since the previous study. The belief that certain behaviors are "always wrong" is eroding.

Fewer Virginians perceive that insurance fraud impacts their premiums. The previous studies were consistent with 90-plus percent of the respondents believing insurance premiums are higher because of fraud; however, that dropped to 84 percent in the current study. In addition, fewer Virginians saw insurance fraud as universally harmful, while the percentage of respondents who perceive insurance fraud as harmful to the insurance company involved increased.



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Respondents were given a list of ten behaviors, five of which involved insurance fraud, and were asked to assess each behavior on a scale ranging from “always wrong” to “not wrong at all.” The behaviors ranged from serious to not too serious. In relation to the 2000 and 2005 surveys, there was a significant decrease in the percentage of respondents who felt the less serious behaviors were “always wrong.” Two behaviors didn’t show any significant change in the “always wrong” category. Those behaviors were working with a doctor to stage phony car accidents with false injuries to get money from insurance and using someone else’s credit card.

The Internet survey was conducted among 400 Virginia residents in all regions of the state during June and July 2013. Previous studies were conducted in a telephone interview format. The survey has a maximum statistical error of plus or minus 4.9 percent.

## Public Awareness Activities in 2013

The IFP’s public awareness activities continue to play an important role in reaching out to Virginia’s citizens in an effort to increase their understanding of insurance fraud – what it is, how it affects them and what they can do to reduce the amount of fraud in the commonwealth. The promotion of the “Sharp Eye” reward, the website, social media and the toll-free hotline are all tools for educating the commonwealth’s citizens about insurance fraud.

As part of the IFP’s ongoing public awareness campaign, the pay-per-click banner advertising for StampOutFraud.com continues to be an effective vehicle driving traffic to the website. Once again, this was the only paid advertising used during 2013. This pay-per-click banner advertising allows the website to achieve cost-effective exposure on major search engines such as Google, Yahoo and MSN. From November 2012, when the campaign began, through June 2013, the number of total impressions for the ads was greater than 10.7 million. This means the ads were served on the page and had the possibility of being seen by 10.7 million viewers. Of those possible viewers, 174,000 clicked through the ad to the website, which resulted in a click through rate (CTR) of 1.63 percent. The CTR represents the number of viewers that clicked on the ad as a percentage of those that were exposed. The average CTR for all industries and sizes is .05 percent.

In 2013, the number of visits to StampOutFraud.com was 105,123, which resulted in a total of 245,149 page views. An average of 2.33 pages was visited per visitor, and new visits accounted for 81.9 percent of the visitors. The website experienced the highest visitation during the months of January through June, as a result of the banner ads, described above, which directed viewers to the website to take the quiz and win a prize.

The total number of notifications received by the IFP – 1,994 – showed a slight increase in 2013. The IFP received 69 percent or 1,837 notifications from citizens, insurance investigators and members of law enforcement via the website, StampOutFraud.com. The percentage of fraud-related calls to the toll-free hotline as well as notifications received by the IFP via fax, direct phone calls, email and regular mail remained unchanged.

The IFP also continued the “Fraud Facts” email newsletter that is distributed to sheriffs, chiefs of police and other law enforcement; commonwealth’s attorneys; and the insurance industry. The newsletter keeps the fraud-fighting community up to date on the IFP’s activities and how they can participate, as well as provides links to other websites with need-to-know and good-to-know information.

Insurance Fraud Awareness Week, May 12-18, 2013, once again received recognition by former Governor Robert F. McDonnell. McDonnell issued an Insurance Fraud Proclamation, which was presented by First Sergeant Steve Hall during the Virginia Chapter of the International Association of Special Investigation Units (VA IASIU) annual training seminar.

This year, the IFP conducted training at the Northern Virginia Crime Prevention Association, Red Flag training and Crime Prevention at the VSP Academy. A total of 18 presentations were made in 2013, which include Public Safety Day in Lynchburg, Chesterfield Senior Triad Day, NASCAR races in Richmond and the State Fair of Virginia. In addition to the training and presentations, the Ford Expedition that displays the insurance fraud and reward message could be seen at exhibits and VIN etchings in conjunction with the Help Eliminate Auto Theft Program (H.E.A.T.), insurance company fraud awareness days and other special events.



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## Success Stories for 2013

**The following cases highlight a few of the Virginia State Police insurance fraud victories of 2013 and illustrate the types of insurance fraud cases investigated by the department.**

### No Hat, No Cattle

“All Hat, No Cattle” is a phrase often used to describe a person who is a fraud, but “No Hat, No Cattle” might be a better term to describe two men who were caught defrauding an insurance company by submitting false claims for dead cows.

The owner, Gabriel Lynn Parks of Kingsport, TN, submitted a \$22,000 insurance claim for 17 head of cattle he claimed died as a result of a lightning strike. A local veterinarian, Billy Wayne Fuller of Gate City, VA, confirmed the deaths and made a claim for \$115.00 reimbursement to cover his services.

Investigation by the VSP Insurance Fraud Unit revealed Park’s cattle were still alive and several of the supposedly dead cattle were still on his property. The investigation also determined no lightning strikes had taken place during that time. Fuller confirmed their deaths without actually having seen the cows.

Fuller was found guilty of a class 1 misdemeanor, ordered to pay court costs and placed on unsupervised probation for six months. Parks was charged with Obtaining Money by False Pretense, a felony. He entered a plea in December and will be sentenced in February 2014.

### Crooked Virginia Insurance Agent Pleads Guilty to Insurance Fraud

A Virginia insurance agent, who also owned her own insurance company in Cumberland County, VA, will be spending the next five years on supervised probation for swindling a finance company and will have to pay more than \$141,500 in restitution for funds she obtained through fraudulent contracts.

Terry L. McAbee, a licensed property and casualty insurance agent, owned McAbee & Associates Insurance Agency, LLC. As part of her business, she wrote premium finance contracts for clients to obtain loans

to assist them with paying premiums on their insurance policies. Between January and August 2012, McAbee forged and uttered 24 fraudulent premium finance contracts. As a result of those fake contracts, she received \$141,510.48 in premium finance drafts.

The fraudulent contracts were submitted to South Carolina-based Johnson and Johnson Preferred Financing, Inc. (JJPF), who contacted the Virginia State Corporation Commission's Bureau of Insurance (BOI). A joint investigation by the BOI, the Virginia State Police (VSP) Insurance Fraud Unit and the Office of the Attorney General (OAG) revealed she used the funds for house payments and medical expenses, as well as other personal and business expenses.

As a result of this investigation, McAbee pleaded guilty to three felony charges in the Cumberland County Circuit Court on July 22, 2013. She also surrendered her P&C license and agency license. She was sentenced to two years for one count of Forgery, two years for one count of Uttering and two years for one count of Obtaining Money by False Pretenses. These sentences are to run consecutively for a total of six years. The six years were suspended for a period of five years on the condition of good behavior. During this time, McAbee will be on supervised probation; she must pay court costs within a year; make full restitution to JJPF; and submit to DNA analysis.

## End of the Road for a Staged Accident Ring

The IFP received notifications in early 2013 from several insurance companies about an alleged staged accident ring operating in the Hampton/Newport News area. The participants would stage auto accidents and subsequently visit emergency rooms with fabricated injuries. They would then make false claims to insurance companies and divide the insurance settlements between the members of the group.

The collaborative efforts between the VSP special agents and insurance company investigators brought this ring to an end. In June 2013, Insurance Fraud special agents in the Chesapeake field office arrested ten individuals who were participating in this staged accident ring on a total of 43 felony charges.

In October 2013, the last of the ten individuals was found guilty in Newport News Circuit Court of committing insurance fraud. Total court-ordered restitution for the ten individuals was \$20,217, and the cumulative sentence was more than 10 years.



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## Two First Sergeants and Two Special Agents Join the IFP's Fraud Squad

Two insurance fraud special agents and two first sergeants joined the IFP in 2013. They replaced staff who retired, were promoted or transferred to other units within the VSP. These new insurance fraud special agents and first sergeants bring a wealth of experience and investigative expertise to the IFP, along with a strong commitment to fight the crime of insurance fraud.

### FIRST DIVISION

#### First Sergeant Macon "Wade" Millner



First Sergeant Wade Millner began his career with the Virginia State Police in 1986. He spent ten years as a trooper and senior trooper in Richmond City and Henrico County. Millner was promoted to sergeant and served a two-year stint in Division One CAD Headquarters before transferring to the Area One Bureau of Field Operations office in Hanover and Henrico. Millner was promoted to first sergeant in 2013, working in the Division One office for the Bureau of Criminal Investigations.

Millner's other roles within the department included crime prevention specialist, assistant senior firearms instructor and mobile command post operator. In addition to his career with the VSP, Millner served in the Virginia Army National Guard from 1983 until 2003. He was a captain when he retired.

What has impressed Millner the most about the IFP is the cooperation between agencies and insurance companies, and the overall atmosphere for working together to accomplish a goal.



## FIRST DIVISION

### Special Agent Dennis Kennedy



Special Agent Dennis Kennedy joined the VSP in 1998 and worked in Prince George County until 2005. Kennedy was promoted to special agent assigned to Counter Terrorism/Criminal Interdiction in Fairfax County – a position he held from 2005 to 2006. He then worked four years in the Drug Enforcement Section, Gangs, and also served as the supervisory special agent for the Central Virginia Regional Narcotics Task Force before transferring to the IFP in 2013. Prior to

joining the VSP, Kennedy was a member of the U.S. Air Force from 1990 to 1998 and is currently a master sergeant in the Air Force Reserves, assigned to 633 Security Forces Squadron at Langley-Eustis Joint Base.

“What I find most interesting about this position, in my very short time here, is you see the whole gamut of fraud violations,” commented Kennedy. “In one day you are reviewing a workers’ compensation case or an automobile insurance fraud, to a homeowner claiming damage on his/her home.”

Kennedy commented that he transferred to the IFP because of a strong desire to learn a new field of investigation that has a direct impact on all aspects of society.

**Through a progressive decline in fraud, Virginians’ insurance premiums and related costs are reduced, allowing for more personal financial stability. It also encourages many businesses to open and operate in Virginia, as the state can be viewed as a place where the assets and interests of businesses are protected.**



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## SECOND DIVISION

### Special Agent Christopher R. Brennan



Special Agent Chris Brennan began his career with the department in 2009. Following his graduation from the VSP Training Academy, Brennan was assigned to Culpeper, first as a trooper, and then promoted to special agent in May 2013. His other assignments in the VSP include the tactical field force; CPR/AED – first aid instructor; general instructor; Fusion Center liaison officer; and EMT-B on the VSP Tactical Emergency Medical Support Team.

"I saw Insurance Fraud as an opportunity to have a positive and lasting effect on the people of the commonwealth," said Brennan when asked why he decided to make the change to the IFP. "When Insurance Fraud is proactively investigated and successfully prosecuted it creates a ripple effect throughout our communities." Brennan also remarked on the intellectual challenge that many of these cases provide.

## FOURTH DIVISION

### First Sergeant Jeffery A. Bartlett



First Sergeant Jeff Bartlett brings 28 years of law enforcement experience to the Insurance Fraud Program. Positions he's held with the department include trooper, and special agent in the Drug Enforcement Section and in the bomb/arson unit in the General Investigation Section. Bartlett was promoted to first sergeant in the Bureau of Criminal Investigation's Drug Enforcement Section and transferred to the General Investigation Section, which includes the IFP, in 2013.

# Insurance Fraud Program Activity Report

January 1, 2013, through December 31, 2013

1. Number of notifications received	1,994
A. Hotline	65
B. Web	1,837
C. Other	92
2. Number of notifications sent to unopened case file	1,301
3. Number of investigations initiated	457
4. Number of notifications referred to other BCI divisions	2
5. Number of notifications referred to other agencies	50
6. Number of cases involving property fraud	1,117
A. Motor Vehicle/Auto	839
B. Homeowners	195
C. Commercial	50
D. Other	33
7. Number of cases involving injury/casualty fraud	551
A. Motor Vehicle/Auto	264
B. Homeowners	31
C. Commercial	75
D. Workers' Compensation	147
E. Other	34
8. Number of cases of actual fraud (collected)	257
9. Number of cases of attempted fraud	972
10. Total amount of claimed loss (collected)	3,340,889
11. Total amount of claimed loss (attempted)	11,893,000
12. Number of cases presented to commonwealth's attorneys	96
13. Number of cases adjudicated	300
14. Number of arrests for insurance fraud	231
15. Number of convictions for insurance fraud	98
A. Felonies	56
B. Misdemeanors	29
16. Number of arrests for related offenses	129
17. Number of convictions for related offenses	9
18. Amount of restitution ordered	255,674
19. Number of fraud awareness presentations	18
20. Number of persons contacted	16,650



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**INSURANCE FRAUD PROGRAM**

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