

Virginia State Police
Insurance Fraud Division

2003 A N N U A L R E P O R T



A SHARP EYE

Reward Program and Restitutions are Hallmarks of 2003

Report from the Superintendent and the Division Commander

The Insurance Fraud Division (IFD) has just completed its fifth year as a division of the Bureau of Criminal Investigation of the Virginia State Police (VSP). The IFD had another successful year, which included the establishment of a \$25,000 reward program. Additionally, IFD's investigations have resulted in more than \$10 million in ordered restitution since the IFD was established in 1999.

Having a "Sharp Eye" means being vigilant, aware, keenly observant - it can also mean up to \$25,000. The "Sharp Eye" reward program was announced during the 11th Annual

Virginia Chapter of the International Association of Special Investigation Units (VA IASIU) Seminar in May 2003. The reward program is being promoted via posters, news releases and other public relations efforts. In early 2004, a statewide billboard campaign will feature the "Sharp Eye" image and the toll-free hotline telephone number. The current informational brochure and the IFD's other promotional items are being redesigned to include the "Sharp Eye" logo and information about the reward program.

In addition to court-ordered restitution reaching \$10 million, false insurance claims reported to the IFD since 1999 have surpassed the \$32 million mark. In five years, the IFD has received more than 4,400 insurance fraud notifications, and our special agents have initiated over 1,000 investigations with more than 475 insurance fraud and related arrests having been made.

In 2003, the IFD received nearly 1,200 notifications, which was a 16 percent increase over 2002. The number of investigations was also up 14 percent over 2002. It is significant to note that the number of felony convictions increased from 19 convictions in 2002 to 32 convictions in 2003, a 68 percent increase. During 2003, the IFD introduced more than 43,000 individuals to insurance fraud awareness through outreach programs for the insurance industry, civic organizations,



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



Captain Frank A. Williams
*Division Commander,
Insurance Fraud Division*

events such as the Virginia State Fair and through law enforcement training.

The number of cases involving property fraud showed the largest increase in 2003 - 26 percent - including 37 notifications related to Hurricane Isabel. Insurance fraud cases involving motor vehicles were up 36 percent, and homeowners' fraud cases increased 14 percent.

Governor Mark R. Warner declared May 5-9 Virginia's first "Insurance Fraud Awareness Week." Governor Warner is the Commonwealth's first governor to issue a proclamation recognizing Virginia's commitment to stamping out insurance fraud. With insurance fraud costing the average Virginia household approximately \$1,000 a year, law enforcement, the insurance industry, legislators, prosecutors and the governor encourage citizens to be aware of and report insurance fraud crimes.

Thanks to the IFD's help in funding the purchase of high-tech and investigation-related equipment, criminals will find it harder to defraud insurance companies. State-of-the-art video equipment for training, total station enhancements used to investigate vehicle crashes, and recruitment displays for each VSP division have added to the state's arsenal of crime fighting tools.

We look forward to 2004 and continuing the fight against insurance fraud. As the number of notifications, arrests and prosecutions continues to rise, the IFD would like to thank everyone who has contributed to our success - citizens; Commonwealth's Attorneys; local, state and federal law enforcement officials; legislators; and insurance industry personnel. Working together, with a "sharp eye" for insurance fraud, we can continue to Stamp Out Fraud in Virginia.



Colonel W. Steven Flaherty

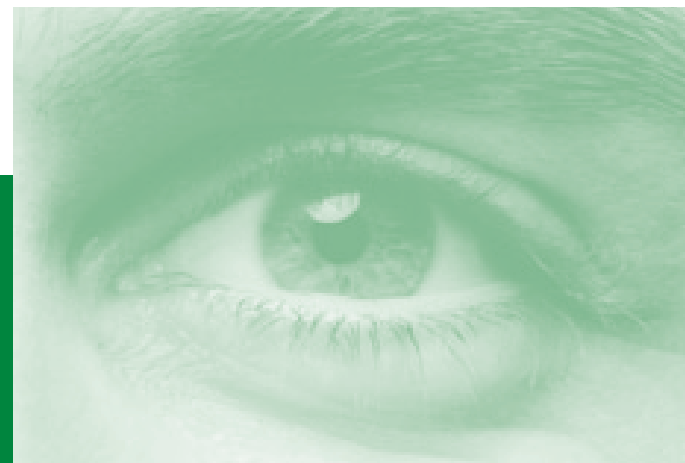
*Superintendent,
Virginia State Police*



Captain Frank A. Williams

*Division Commander,
Insurance Fraud Division*

A SHARP EYE



Special Agents Have a Sharp Eye for Insurance Fraud



Special Agent Keith Childress

Keith Childress brings almost 17 years of law enforcement experience to the IFD. He joined the Virginia State Police in 1995 and, after completing the Training Academy, was assigned to Campbell County as a trooper until joining the IFD in November, 2003.

Prior to his career with the State Police, Childress was a Military Police Officer with the U.S. Army. Upon discharge from the military, he attended Central Virginia Community College where he received his Associate Degree in Administration of Justice and worked for the Lynchburg Police Department.



Special Agent Quintin O. Kelly

Quintin Kelly may be new to the IFD, but he's no stranger to the Bureau of Criminal Investigation (BCI). As a trooper he was assigned to the Federal Weed and Seed Multi-Jurisdictional Taskforce in 1992. Kelly spent six months working in an undercover capacity helping weed out drug

dealers in Richmond's high crime drug areas and assisting with the Goochland and Louisa taskforces as well. Most

recently, he supervised the coordination of the Virginia State Police personnel from the Virginia State Police Unified Mobile Command Post while assisting the Prince William County Police Department and the Sniper Taskforce during the Manassas sniper shooting.

“The perpetrators themselves amaze me because some of their crimes are so blatant and obvious. I don’t understand why they think they won’t get caught. Perhaps the thought of getting away with a scam blinds them to the thought of getting caught.”

– **Special Agent Quintin O. Kelly**

Kelly began his career with the Virginia State Police as a trooper in 1986 and was promoted to sergeant in 1995. He said the challenge of investigating complex schemes and uncovering the many techniques used by white-collar criminals to carry out these crimes is what interested him in the IFD.



**Special Agent
Robert G. Hindenlang**

Bob Hindenlang joined the VSP in 1996. While working as a trooper, he investigated vehicle crashes that he felt, but couldn't prove, involved false or exaggerated injury and damage. "This is a category of

criminal activity that needs more emphasis," he said. His background also includes working as a field training officer, a tactical team member and a crash reconstructionist. Hindenlang is also attending Liberty University, working on his degree in accounting.

When asked about one of his more memorable experiences with the VSP, Hindenlang said in February 2002, he stopped a vehicle and obtained five separate identifications from the two individuals in the car. They were eventually taken into federal custody. He later learned these individuals, who were possibly using false identification for credit and insurance fraud, had ties to the persons connected to the September 11th attacks.



**Special Agent
Dennis W. Dodson**

Dennis Dodson brings more than 20 years of law enforcement experience to the IFD. During his career, Dodson has conducted numerous criminal investigations including arson, rape, grand larceny,

narcotics and firearm violations as well as manslaughter and sex offender registry cases.

Dodson joined the VSP in 1981 as a dispatcher assigned to the Culpeper/Richmond offices; in 1984, as a trooper, he worked in Fairfax and Orange counties. In 2002, he was promoted to sergeant and assigned to Caroline County and then to Division 2 Headquarters. Dodson said he wanted to join the IFD to help combat insurance fraud in Virginia and reduce the related costs of additional premiums that Virginians pay for fraudulent insurance claims.

A SHARP EYE

Reward Fund Established in 2003

As part of our mission to “Stamp Out Fraud” and in keeping with Section 52-42 of the Code of Virginia, the IFD established a reward fund in 2003 that pays up to \$25,000 for information leading to the arrest of individuals who commit insurance fraud in the Commonwealth of Virginia. The reward fund was unveiled at the 11th Annual Virginia Chapter of the International Association of Special Investigation Units Seminar in May.

The “Sharp Eye for Insurance Fraud” theme, which was developed to promote the fund, has been used in posters distributed to law enforcement agencies and members of the insurance industry. The poster can be ordered online at www.stampoutfraud.com.



IFD “Sharp Eye” poster



The “Sharp Eye” can also be seen on billboards around Virginia. The billboards will run from Jan.15, 2004, through Apr.15, 2004. Billboards are located in Richmond, the Hampton Roads area and in Roanoke. In northern Virginia, commuters will see the reward fund message at Virginia Railway Express stations.

In addition to the initial announcement of the fund in May, a follow-up news release was sent to all Virginia media and national insurance-related publications. The reward fund message is also carried on all of the IFD’s news releases and promotional material.

A Reward Fund Committee comprised of members from law enforcement agencies, the insurance industry, and insurance fraud-related organizations and agencies was established to review all reward fund applications. The Committee members are:

Department of State Police

Captain Frank A. Williams, Chairman
Assistant Director
Bureau of Criminal Investigation
Insurance Fraud Division

Lieutenant W. Roger Rector, Co-Chairman
Deputy Assistant Director
Bureau of Criminal Investigation
Insurance Fraud Division

Sara N. Poole
Legal Specialist
Virginia State Police

Insurance Industry

D. Darlene Greeny
Team Manager
State Farm Insurance

John W. Huddleston, CIFI
Investigative Services Section Supervisor
Erie Insurance Group

Wade D. Wickre, CIFI, FCLA
SIU Manager-Virginia Operations
Nationwide Insurance Company

VA Chapter International Association of Special Investigation Units

Jesse Foster
Special Investigations Unit Manager
Geico Insurance Company

Commonwealth's Attorneys

Thomas Weidner, IV
Assistant Commonwealth's Attorney
City of Waynesboro

Virginia Chiefs of Police

Chief Richard Clark, Jr.
Galax Police Department

Virginia Sheriffs' Association

Sheriff Charles Jett
Stafford County

Bureau of Insurance

Michael T. Beavers, CPCU, CIC, CIE
Supervisor
Property and Casualty Agent, Investigations Section
Virginia Bureau of Insurance

Coalition Against Insurance Fraud

Dennis Jay
Executive Director
Coalition Against Insurance Fraud

The Reward Fund Committee will determine the amount of the reward 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 will be 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.

§ 52-42. Reward fund.

The Department, in cooperation with authorized insurers and insurance professionals, may establish and operate a fund to offer monetary rewards for information sufficient to procure conviction in a court of appropriate jurisdiction of a person or persons responsible for insurance fraud. No law-enforcement officer, employee of the Commission, employee of an insurance company or any insurance professional shall be eligible to receive such reward.

(1998, c. 590.)

The IFD Enhances Capabilities of the VSP

As insurance fraud perpetrators continue to become more technologically advanced in their schemes to outfox law enforcement, the Insurance Fraud Division is working with other divisions of the Virginia State Police to ensure they have the tools necessary to investigate and fight insurance fraud in this high-tech world.

It's a Digital World

That's what Frank Parham, audio-video specialist in the Training Division, said when asked about his new broadcast-quality, digital video equipment purchased with IFD funds. The new video equipment includes a non-linear digital editing suite, two DV (digital video) broadcast-quality cameras - each with studio-configured viewfinders, remote focus and zoom controls. This equipment can be used both in the field and studio environment and can render CDs, DVDs and videotapes. "We are excited about the expanded training and investigative capabilities this new digital video equipment brings to the Insurance Fraud Division and to the State Police as a whole," said Captain Frank Williams.



Not only can broadcast-quality CDs and DVDs be produced, the VSP also has the equipment for mass duplication and the labeling. Producing DVDs and CDs is more cost-effective than producing videotapes, and they are also less expensive to distribute.

In addition to having the tools necessary to be able to produce and duplicate CDs and DVDs, the Department also has additional equipment for classroom training and presentations to law enforcement and the insurance industry. Included in the package were wireless microphones, LCD data projectors and portable PA systems with wireless microphones. The PA system has been used for a car burning training exercise with insurance industry investigators.

A SHARP EYE

SCUBA Gear Solves Underwater Crimes

Since the IFD funded SCUBA gear for the VSP SCUBA team, total recoveries in the first year were approximately \$120,000. This included 24 vehicles, seven boats, six motorcycles, nine safes and 16 bodies. In one case, the equipment was used to recover a vehicle - with the owner's body inside - from a rock quarry. The owner had been killed, and the murderer disposed of her body along

The equipment has assisted 16 different agencies in cases ranging from insurance fraud to murder. To date, the gear has been used approximately 96 times and totally changed the VSP's ability to respond and provide recovery assistance to law enforcement and the insurance industry.



This equipment, used in the anthrax underwater search investigation, allows investigators to image the bottom of the body of water and help locate items that could potentially be crime-related.

with her vehicle in the quarry. The vehicle was raised by large lift bags designed specifically for that purpose to help preserve evidence.

Due to having the advanced equipment, the VSP's dive team was put in charge of an underwater search operation in the FBI's anthrax investigation in Maryland. The ROV (remotely operated vehicle) and the drop video cameras were used on this assignment.



You Applied the Brakes When?

The IFD has made it harder for staged-crash perpetrators to get away with their schemes to defraud insurance companies. The VSP Crash Investigation Team now has an arsenal of high-tech tools to reconstruct traffic crashes and determine the factors that led up to or contributed to the crash. Factors such as driver input, how fast the car was traveling, when or even if the brakes were applied, if the seatbelt was in use and when the airbag deployed can now be determined.

The genesis for the IFD's purchasing the new crash reconstruction equipment

tools. "Having all of this equipment is a great resource for the Department," said Senior Trooper Rick Dowsett with the Crash Investigation Team, "and being able to have this crash data available for insurance fraud investigations is a perfect fit."



Dowsett said the equipment purchased last year was heavily utilized in all divisions as soon as it was placed in service. Between February and November the Total Station equipment has been used at 140 scenes; the software for drawing and calculating crash data was used 168 times; and the digital cameras were employed at 84 scenes. Eight court presentation-size diagrams were provided by the HP plotter.

began with the purchase of Total Stations for each of the seven divisions. The VSP received the Total Stations through a federal grant program with the IFD purchasing the supporting

Another tool in the VSP's crash reconstruction arsenal is the VC3000, which provides for vehicle brake, acceleration and performance testing. Put into service in mid-September, the VC3000 measures G-Force and calculates speed, time and distance for any type of vehicle. The VC3000 has been used in 20 different cases since training was completed.



A Job2Day - A Career 4Ever

That's what's on the recruitment exhibits recently funded by the IFD for the VSP. Each of the seven divisions' recruiting officers was issued a display. The table-top displays are designed to complement the Department's on-going recruiting efforts. "We want to find the best potential State Police talent available," said Captain Frank Williams of the IFD. "It will pay off for insurance fraud investigations in the long run."



Public Awareness Campaign Touts the Reward Fund Message



Pam Jewell
*Program Support
Manager/Media Relations
Coordinator*

One of the newest members of the IFD, Pam Jewell brings 18 years public relations experience in state government to the public awareness side of the IFD. Jewell honed her PR skills while working for the Virginia Tourism Corporation and most recently for the Virginia Wine Marketing Office in the Virginia Dept. of Agriculture and Consumer Services.

Jewell is responsible for publicizing the impact of insurance fraud and its implications. She works closely with the IFD investigators to help garner media coverage and publicity about recent IFD accomplishments. Jewell is also responsible for coordinating special projects, publications and the IFD Web site (www.stampoutfraud.com) as well as assisting with presentations and speaking engagements.

In 2003, the IFD's public awareness efforts focused heavily on the "Sharp Eye" reward program announced in May. A news release headlined "Insurance Fraud Pays" was sent to

all Virginia media as well as national insurance-related publications. Additionally, all of the IFD's news releases carry the reward program information.

STAMP OUT FRAUD



The simple, but powerful, logo with a bold and contemporary look continues to gain recognition from the public as being associated with the IFD and its mission. The logo is applied to all promotional materials including brochures, the Web site and news release letterhead.

1-877-62FRAUD (1-877-623-7283)

In 2003, more than 1,400 citizens, insurance investigators/personnel and law enforcement officers were helped through the IFD hotline. The toll-free telephone number is easy to use and available at any hour.

www.stampoutfraud.com

In compliance with the goal to make state government accessible to Virginians via the Internet, suspected insurance fraud can also be reported online at the IFD Web site.



Almost 400 notifications were received from the Web site in 2003. The Web site also provides an overview of insurance fraud and its implications and is updated regularly with case histories. Law enforcement and insurance professionals can now order the IFD

brochures and posters online. The Web address is included on all of the IFD's promotional and media materials.

BROCHURES

Brochures continue to be distributed to law enforcement, the insurance industry, and Virginia citizens. The three-paneled brochure provides a comprehensive overview of insurance fraud and the IFD. The brochure will be updated in 2004 to add information about the IFD's "Sharp Eye" reward program.



BUSINESS CARDS FOR TROOPERS

The IFD continues to make business cards available to Virginia State Police troopers, special agents, sergeants and first sergeants. The cards are preprinted with the following IFD information on the back of the card: The “STAMP OUT FRAUD” logo, Web address, toll-free telephone number and e-mail address for reporting insurance fraud crime. The troopers’ information on the front of the card can be added or changed as needed at area offices.

IFD NEWSLETTER

The IFD continues to produce its biannual newsletter, “Fraud Facts.” The publication features IFD-related issues and case histories.

INSURANCE FRAUD AWARENESS WEEK

May 5-9, 2003, was declared Insurance Fraud Awareness Week by Governor Mark R. Warner, the Commonwealth’s first governor to issue a proclamation recognizing Virginia’s commitment to stamping out insurance fraud. In 2004, Insurance Fraud Awareness Week will be held May 9-15, in conjunction with the Annual Virginia Chapter of the International Association of Special Investigation Units Conference.

IFD POSTER

The IFD produced its second poster, which promotes the “Sharp Eye” reward program (*see page 5*). The posters were distributed to local law enforcement agencies and the insurance industry. The “Sharp Eye” posters can also be ordered online at www.stampoutfraud.com.



TV AND RADIO

IFD public service announcements (PSA) continue to play on radio and television stations throughout Virginia. The PSAs were created to educate citizens about insurance fraud and to encourage them to call the toll-free telephone number if they have helpful information.

The IFD made television news with a Hurricane Isabel-related fraud case. WAVY-TV in Norfolk ran a 3-minute, 31-second feature on a claimed boat loss that resulted from the hurricane. The news segment featured an interview of an IFD special agent,

footage of the intact 23-foot Sea Ray on its trailer and mention of the IFD Web site and hot line. The news feature was also posted on WAVY-TV’s Web site.

Virginia Drywall Hanger Gets Hung-Up by Insurance Fraud

CHESTERFIELD COUNTY, VA — For almost four years this drywall hanger was using more than the tools of his trade to increase his income. From December 1997 until July 2001, a Powhatan, VA man was fraudulently receiving disability while continuing to work. He received \$44,000 based on his claim of total disability.

The claimant submitted a disability claim to his insurance company in 1997 stating he was totally disabled with rotator cuff tendonitis in his left shoulder and surgery was planned. Continuance claim forms he sent to the insurance company indicated that he was still totally disabled and without income.

A complaint to the Virginia Department of Professional and Occupational Regulation for poor workmanship by a drywall company owned by the claimant indicated a payment of \$5,500 for home repairs and raised the suspicions of the insurance company. Subsequent investigations revealed that he was conducting home inspections and was later gainfully employed with a construction firm while receiving disability payments. He was receiving an annual salary of \$52,000 while working for the construction firm.

The man pled guilty to obtaining Money by False Pretenses and was sentenced to seven years in prison with seven years suspended for a period of 20 years. He was also ordered to pay restitution to the insurance company in the amount of \$42,000 plus six percent interest.

Hurricane Fraud Sinks Claimant

CHESAPEAKE, VA — Hurricane Isabel struck again for a Chesapeake, VA, man who was recently arrested on insurance fraud charges related to the Sept. 18 storm.

A boat owner made a claim to his insurance company that his boat was blown away from his dock in Gloucester and sunk by the hurricane. In his claim, he stated that his 19-foot Sea Ray was secured prior to the storm. He said he went to check on the boat's condition following the storm and discovered the boat missing.

The Sea Ray miraculously surfaced at the claimant's place of work in Chesapeake, VA. On Sept. 30, Special Agents with the Virginia State Police Insurance Fraud Division, acting on information from the insurance company, executed a search warrant on the business and discovered the boat in a warehouse. Ironically, the boat had been parked in the yard in plain view the very same morning the search warrant was served.

He was arrested and charged with one count of Attempt to Obtain Money by False Pretenses.

Activity Report

January 01, 2003 through December 31, 2003

1.	Number of notifications received	1,184
2.	Number of notifications sent to unopened case file	567
3.	Number of investigations initiated	218
4.	Number of notifications referred to other BCI Divisions	10
5.	Number of notifications referred to other agencies	22
6.	Number of cases involving property fraud	726
	A. Motor Vehicle/Auto	460
	B. Homeowners	162
	C. Commercial	57
	D. Other	47
7.	Number of cases involving injury/casualty fraud	458
	A. Motor Vehicle/Auto	156
	B. Homeowners	16
	C. Commercial	33
	D. Workers Compensation	192
	E. Other	61
8.	Number of cases of actual fraud (collected)	224
9.	Number of cases of attempted fraud	412
10.	Total Amount of claimed loss (collected)	\$2,040,934
11.	Total Amount of claimed loss (attempted)	\$7,858,255
12.	Number of cases presented to Commonwealth's Attorneys	76
13.	Number of cases adjudicated	99
14.	Number of arrests for insurance fraud	74
15.	Number of convictions for insurance fraud	48
	A. Felonies	33
	B. Misdemeanors	15
16.	Number of arrests for related offenses	20
17.	Number of convictions for related offenses	28
18.	Amount of restitution ordered	\$1,681,620
19.	Number of calls to Fraud Hotline	1,413
20.	Number of Fraud Awareness presentations	37
21.	Number of persons contacted	43,708

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