

STAMPING
OUT
FRAUD

ONE
STEP
AT A
TIME.



2011
ANNUAL
REPORT

The Insurance Fraud Program

Stamping Out Fraud – One Step at a Time

A Message from the Superintendent of the
Virginia State Police



Colonel
W. Steven Flaherty
Superintendent
Virginia State Police

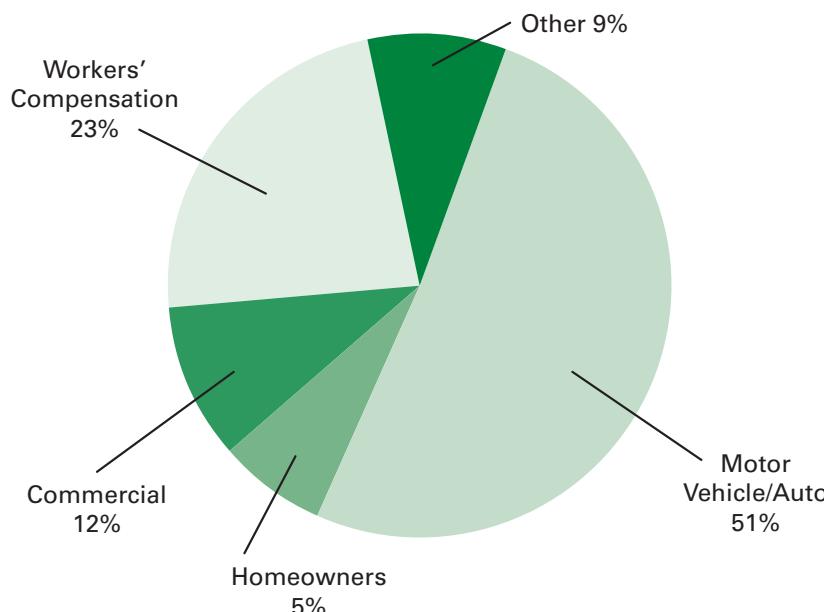
As the Virginia State Police (VSP) Insurance Fraud Program (IFP) enters its fourteenth year, tremendous steps against the crime of insurance fraud continue to be made – due in large part to the partnerships that have developed among Virginia citizens, law enforcement, commonwealth's attorneys and the insurance industry.

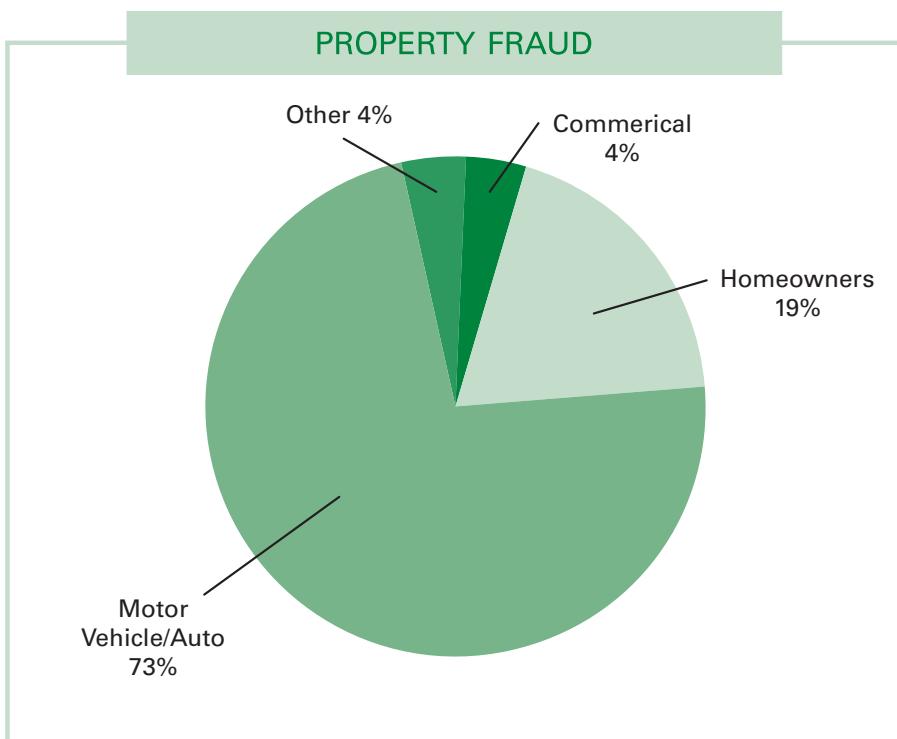
In 2011 that partnership submitted 2,035 notifications of suspected insurance fraud. Since 1999, more than 17,000 notifications have been referred to the VSP. Insurance Fraud special agents opened 252 cases in 2011 and made 230 arrests for insurance fraud and other related offenses, which is an 8 percent increase over 2010.

Over the 13 years the program has been operating, 4,115 fraud investigations have been undertaken, and agents have made a total of 2,148 arrests for insurance fraud and related offenses. In 2011, the IFP continues to have an increase in cases taken to trial by the commonwealth's attorneys and successfully adjudicated.

As required by Virginia law, the VSP investigates suspected fraud in property and casualty lines of insurance, as well as suspected

INJURY AND CASUALTY FRAUD





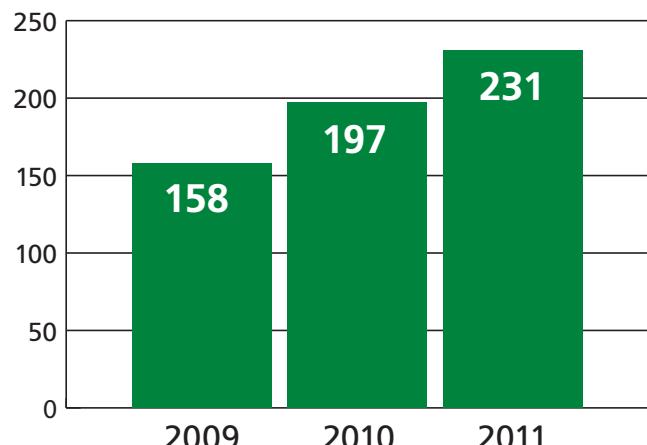
workers' compensation fraud. The 2011 statistics show 1,259 property fraud-related notifications were received by the IFP. Notifications involving injury and casualty fraud totaled 627. Of those 627 notifications, 146 were for fraudulent workers' compensation claims.

In 2011, the courts ordered restitution of more than \$148,000. Court-ordered restitution since 1999 has surpassed \$14 million. Suspected false insurance claims reported to the IFP, both attempted and collected, have topped \$139 million.

The IFP's sponsorship of the Red Flag training continued for a second year, bringing together commonwealth's attorneys, VSP special agents and insurance company investigators to share information about the investigation and prosecution of insurance fraud. The three-day training was organized and presented by the Commonwealth's Attorney's Services Council with faculty representing all facets of law enforcement, the legal profession and the insurance industry.

In 2011, the IFP's "new media" marketing and public awareness efforts expanded to include a YouTube video contest targeting college students. The IFP teamed up with colleges across the commonwealth to spread the word that insurance fraud is a costly crime affecting all Virginia households. The "Dance Your Fraud Off" video contest was open to college students in Virginia and winners were posted on the StampOutFraud YouTube channel and Facebook Fan Page.

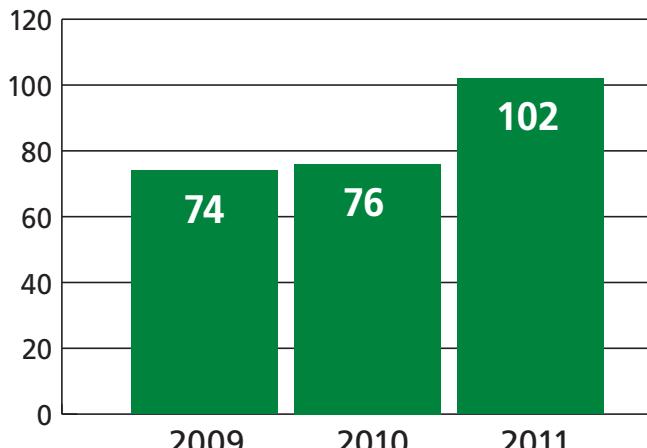
ARRESTS



In addition to the video contest, banner advertising was used from February to July to reach out to consumers via the Internet and direct them to the StampOutFraud.com website for more information about insurance fraud. The ads received 33,102 click-throughs to the IFP website. In December, another element was added to the banner ads – “Take A Quiz.” That campaign is still underway, but preliminary results show the click-throughs to the website exceeded 1,560 for the first month.

In his second year in office, Governor Robert F. McDonnell signed a Certificate of Recognition proclaiming the week of May 1, 2011, Insurance Fraud Awareness Week. It 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 in Virginia since 2002.

CONVICTIONS



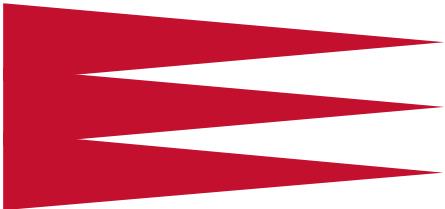
The IFP continues to partner with the Help Eliminate Auto Theft (H.E.A.T.) Program – sharing “billboard” space on the H.E.A.T. salvage examination vehicle and participating in VIN etching along with display and training activities.

We look forward to 2012 and continuing the fight against insurance fraud. As the number of notifications, arrests and prosecutions continues to rise, the 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 insurance industry personnel. Working together, with a “sharp eye” for criminal activity, we can continue to Stamp Out Fraud in Virginia.

"Red Flag" Training – A Step in the Right Direction

The second annual Red Flag training once again brought together prosecutors and investigators from both the Virginia State Police and the insurance industry to learn more about the investigation and prosecution of insurance fraud in Virginia.



Red Flag

Developed by the Virginia State Police, the Commonwealth's Attorney's 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.

"I sincerely hope that we can build on the relationships, old and new, that have been established through the two Red Flag seminars. ... We have made a good start in forging the kind of professional alliances that are needed in the battle against insurance fraud. Let's keep the spirit of Red Flag alive ..."

Steve Royalty, Senior Assistant Commonwealth's Attorney, Hanover County

In the insurance industry a Red Flag is defined as an indicator of potential insurance fraud. Red Flags are vital to the development and prosecution of an insurance fraud case, but all three partners – law enforcement, insurance investigators and prosecutors – also play a unique role.

As a result, the Red Flag training was about team building. Based on the VSP divisions, 12 teams of three – law enforcement, prosecutors and insurance investigators – were recruited. Getting the team members to know each other and understand the interlocking roles and responsibilities of all participants in an insurance fraud criminal investigation and prosecution framework was an additional focus of the training. Working through a fact-based scenario provided those teamwork opportunities to the participants.

In addition, the program's lectures included the "red flags" of insurance fraud, the financial scope of insurance fraud, each discipline's role in an insurance fraud investigation and prosecution, as well as available tools and databases, concluding with trial preparation.

Outstanding Fraud Fighters Receive Awards in Virginia

The Insurance Fraud Program recognized eight Virginia "Fraud Fighters" during the May 2011 training seminar of the Virginia Chapter of the International Association of Special Investigation Units (VA IASIU) in Richmond. The Fraud Fighters Award, established in 2005 by the IFP, recognizes those individuals who demonstrate their willingness to take that extra step in the fight against insurance fraud in the Commonwealth.

Nominees represented the categories of law enforcement, commonwealth's attorneys and the insurance industry. The awards were based on the nominees' contributions to Virginia's anti-insurance fraud efforts, which include 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.

The recipients of the 2011 Fraud Fighters Award are:



Virginia Beach Communications Operator Azia Brown and Virginia Beach Officer Nicholas A. Ball for their roles in exposing a staged accident after having received a "pocket-dialed" 911 call where the perpetrators unknowingly revealed their fraudulent plans. The fraudsters were arrested on a total of 16 felonies, including Obtaining and Attempting to Obtain Money by False Pretense, Conspiracy and Felony Child Endangerment.



Lieutenant Kevin R. Wolfe, Powhatan County Sheriff's Office, and Powhatan County's Assistant Commonwealth's Attorney Richard "Dickie" K. Cox were instrumental in bringing a known criminal to justice when Lt. Wolfe uncovered what he thought was insurance fraud prior to the fraudster actually making the claim. This case was proven on the forensic document examinations; and the diligence of Cox in developing the charges lead to the conviction of this criminal on eight felonies and two misdemeanors.



Jerry Dexter, lead investigator for GEICO Insurance, and James City County Assistant Fire Marshall Michelle Toutaint conducted their independent investigations when a vehicle that was reported to be stolen showed up torched in a remote part of James City County about an hour later. Their independent investigations lead to the same conclusion. The fraudster, an enlisted sailor in

the Navy, pleaded guilty to one felony count of Arson; had to make restitution of \$1,200 and received a dishonorable discharge from the Navy.



Frank Dunton, Virginia Farm Bureau, and Virginia State Police Special Agent Matthew Dyke investigated the same Nottoway County arson, which had extensive fire and smoke damage throughout the entire home. Working independently, both arson investigators determined the fire was intentionally set and both provided testimony as expert witnesses. The suspect was found guilty and sentenced to 10 years for the arson and 10 years for breaking and entering. The fraudster was also ordered to pay restitution to Virginia Farm Bureau in the amount of \$127,000.



Virginia State Police Special Agent Joshua Fannon and Virginia Farm Bureau Investigator Supervisor Bob Minor investigated what initially appeared to be an accidental fire. The investigation revealed the fire had been deliberately set and was not the result of a dog knocking over a candle. The damages and insurance claim totaled more than \$125,000. **Wayne L. Farmer, commonwealth's attorney for Isle of Wight County**, did his own investigation, which revealed that scenario was part of the *Young and the Restless* television soap opera that had aired earlier. The perpetrator eventually pleaded guilty, and her claim was also denied.



Gary Feazelle, an investigator with State Farm Insurance, wasn't nominated for just one case, but for all the work he does for both his employer and the Special Investigation Unit community as a whole. Not only is he a top-notch investigator, but Feazelle is proactive with informing and raising community awareness about insurance fraud. He's received numerous awards for his investigative work and industry relations; and Feazelle's involvement and contributions in multiple complex investigations have led to successful identification of fraudulent activity and successful outcomes.

Pictured with award winners is Lieutenant Colonel H.C. Davis, Director of the Bureau of Criminal Investigation.

Sharp Eye Reward Fund Update

Three Virginia citizens took a giant step in the fight against insurance fraud when their tips lead to the arrests of two individuals who tried to defraud insurance companies and were caught. For sharing their information with law enforcement,

these citizens were awarded Sharp Eye Rewards totaling \$7,000. These rewards illustrate how citizens can make a difference when it comes to preventing insurance fraud.

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



has been paid to 23 recipients in 21 cases. Applications for rewards can be submitted by insurance companies, and local and federal law enforcement, as well as State Police.

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.

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

New Steps in Public Awareness Keep Fraudsters on their Toes

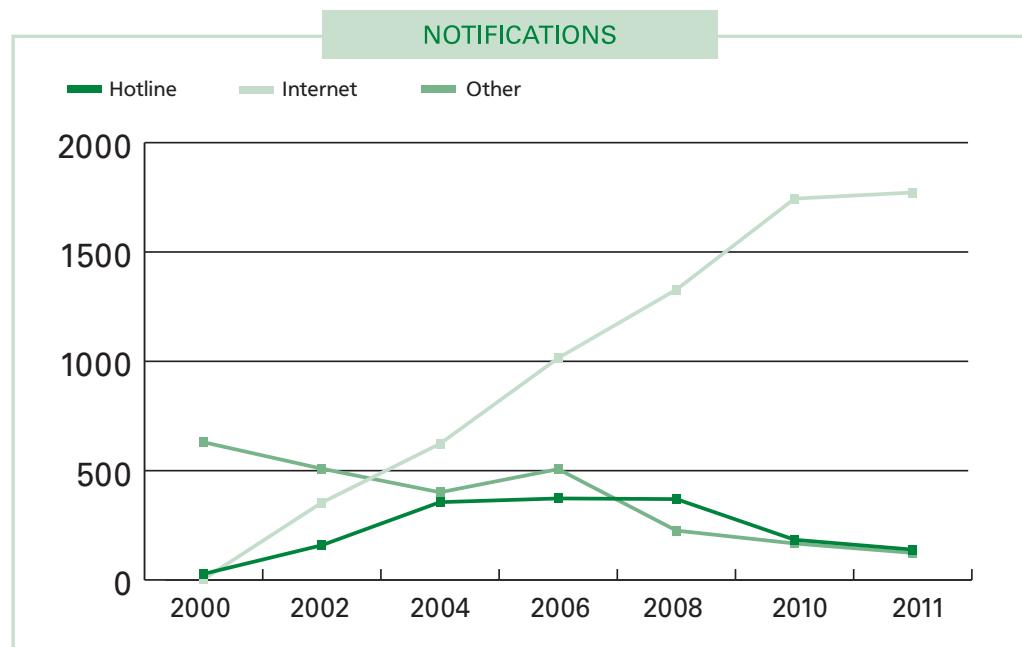
One of the steps in the Insurance Fraud Program's fight against white-collar crime is the public awareness campaign, which continues to play an important role in reaching out to Virginia's citizens. The promotion of the "Sharp Eye" reward, the website, social media and the toll-free hotline are all stepping stones to educating the Commonwealth's citizens about insurance fraud – how to keep from being victimized and the consequences of committing insurance fraud.

Continuing the "Fraud Dance" theme of previously produced YouTube videos, the IFP teamed up with colleges around the state to spread the word that insurance fraud is a costly crime affecting all Virginia households. The "Dance Your Fraud Off" YouTube video contest was launched in the spring of 2011, and Virginia college students were invited to show off their own "Fraud Dance" moves. The winners, from Virginia State University, received a prize of \$500 and a Flip HD video camera. Second place received a \$300 prize. The contest was promoted on the IFP YouTube channel and Facebook Fan Page, through targeted news releases, and in ads that were placed on Facebook and in key student newspapers/newspaper websites.

The IFP also continued the pay-per-click banner advertising for StampOutFraud.com. This was the only paid advertising during 2011, besides the video contest promotion. 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 February through July the number of total impressions for the ads surpassed 33 million, with more than 33,000 click-throughs, which produced a click-through-rate (CTR) of 0.10 percent. The average CTR for all industries and sizes is 0.05 percent.

In 2011, 25,621 people visited StampOutFraud.com, for a total of 77,075 page views. Each person visited an average of 2.51 pages and spent an average of 1:11 minutes on the website. New visits accounted for 82.7 percent of the visitors.

The total number of notifications received by the IFP remained flat in 2011; however, the IFP's number of notifications received via the Internet showed a slight increase. In 2011, the IFP received 1,772 notifications from citizens, insurance investigators and members



of law enforcement through the website, StampOutFraud.com, up from 1,744 notifications received in 2010. Fraud-related calls to the toll-free hotline as well as notifications received by the IFP via fax, direct phone call, email and regular mail showed a decrease.

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 good-to-know information.

Insurance Fraud Awareness Week, May 1–7, 2011, once again received recognition by Governor Robert F. McDonnell. McDonnell issued an Insurance Fraud Proclamation, which was presented by First Sergeant J.C. Miers III 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, the Rappahannock Regional Training Academy, the Red Flag and several insurance companies. In addition to training events, 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.



Step by Step

The following cases highlight a few of the Virginia State Police insurance fraud victories of 2011. These illustrate the types of property and casualty fraud cases investigated by the Department.

Virginia Man Tarnished by Fraudulent Stolen Jewelry Scheme

Five years supervised probation is what a Harrisonburg man received for lying to his insurance company.

Thomas Monroe Faulkner filed multiple claims with Cincinnati Insurance during a 10-month period alleging \$40,000 worth of stolen jewelry. The insurance company paid Faulkner \$7,350 prior to two of the reportedly stolen items that were in Faulkner's jewelry box being returned. The remaining jewelry was still in Faulkner's possession – it was never stolen.

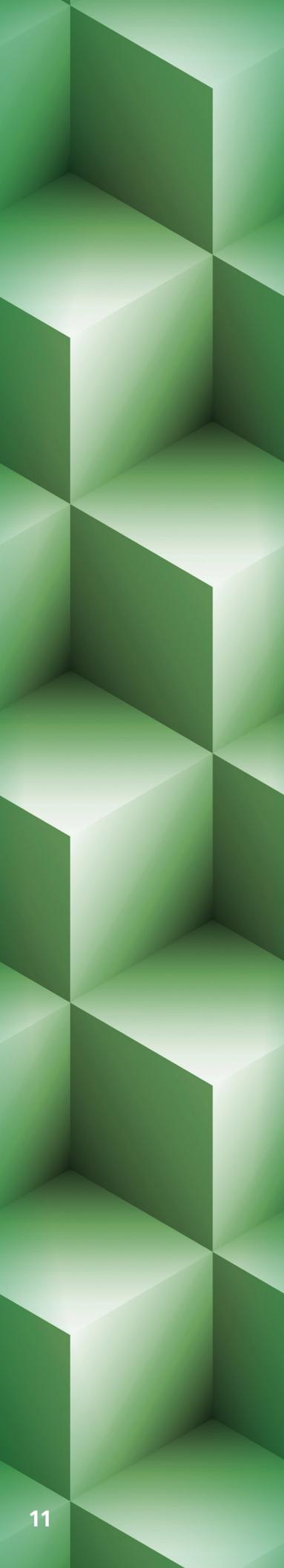
VSP Senior Special Agent Fred Solomon arrested Faulkner on Oct. 27, 2010, and charged him with Obtaining Money by False Pretense. He was convicted in Augusta County Circuit Court on May 19; sentenced to five years, all suspended; and placed on probation for 20 years, five of which will be spent on supervised probation. Faulkner was also ordered to pay restitution to the insurance company in the amount of \$9,850.

Virginia Woman No Lucky Duck with Insurance Fraud Scheme

A Skippers woman, who allegedly scammed more than \$120,000 from Aflac, was not a lucky duck when she was arrested for insurance fraud. Christina Dickens was arrested on Sept. 28 by VSP Insurance Fraud special agents for committing multiple counts of fraud and forgery.

Dickens was charged with 41 counts of Obtaining Money by False Pretense and 21 counts of forging the signatures of two different physicians. In her insurance claims, the woman falsely represented that both she and her husband received cancer treatments. Dickens received more \$120,000 over a period spanning more than a year and a half.

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"While many of the recent insurance commercials being run on television are humorous, insurance fraud is no laughing matter," commented Insurance Fraud Special Agent J.S. Pruitt. "We all pay for insurance fraud with higher premiums and increased costs of goods and services."

Dickens waived the preliminary hearing, and her court date has been set for Jan. 20, 2012, in Greenville County Circuit Court.

Virginia Woman's Padded Insurance Claim Loses Its Fluff

A Virginia woman's decision to inflate, or pad, as it's known in the insurance industry, a burglary claim resulted in her receiving a felony conviction for insurance fraud.

Kedra Lynette Speller, of Portsmouth, Va., made a claim to Travelers Insurance in which she alleged a flat-screen television and a laptop computer were stolen from her residence. The Virginia State Police investigation revealed she never owned these items. Speller borrowed receipts from her sister and included them in the itemized listing of her burglary claim. Insurance Fraud Special Agent Russell L. Eley III executed a search warrant in Chesapeake that revealed the items were still in her sister's house.

"While hard economic conditions may tempt individuals to pad their claims for short-term gain," Eley warned, "felony convictions carry long-term consequences."

On Oct. 18, Speller was sentenced in Portsmouth Circuit Court to two years in the state penitentiary, all suspended upon her successful completion of one-year supervised probation.

New Agents and Supervisors Take Giant Steps to Eliminate Insurance Fraud

Four first sergeants and two special agents joined the ranks of the Insurance Fraud Unit in 2011, replacing personnel who retired or transferred to other sections 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.

Coordinator, Insurance Fraud Program First Sergeant Steven H. Hall



First Sergeant Hall brings more than 27 years' law enforcement experience with the Virginia State Police to the Insurance Fraud Program. Prior to joining the Department, Hall served in the U.S. Air Force from 1979 through 1983. He joined the Virginia State Police in 1984 and upon completion of Basic School was assigned to Giles County in Division IV. As a result of his promotion to sergeant in May 1997, Hall became one of the original Computer Aided Dispatch (CAD) sergeants and was assigned to Division IV

Headquarters. He transferred to the Professional Standards Unit, Internal Affairs Section, in January 2001. Hall remained there until he was promoted to first sergeant in October 2011 and was assigned as the coordinator of the H.E.A.T. and Insurance Fraud Programs.

"The Insurance Fraud Program with the Department is a very unique assignment in that the investigation of those crimes requires specialized training and knowledge," commented Hall.

Hall graduated from New River Community College with an A.A.S. in Police Science and from Bluefield College with a B.S. in Human Resources Management. He has completed work toward a Master's Degree. In addition to his career with the VSP, Hall served as commander of the American Legion Post 68 in Narrows, Va., from June 2009 through October 2011.

"The Insurance Fraud Program serves to support the investigators in the field, and to provide training and awareness of those crimes to law enforcement agencies and the public, and to work with investigators in the insurance industry," said Hall, when asked about his new position with the Department.

"As a longtime Crime Prevention Specialist for the Department of State Police, I believe it is very important that we keep reminding the public insurance fraud is a crime, and it affects all of us."

FIRST DIVISION **First Sergeant Donald W. Jones, Jr.**



First Sergeant Jones joined the Virginia State Police in 1996. Prior to his employment with the VSP, Jones served in the U.S. Army from 1990 until 1994, after which he attended college and graduated with a bachelor's degree in Organization Management and Development.

In 1996, Jones was assigned to Division One, Louisa County, and was promoted to sergeant in 2004. While assigned to Louisa County, he served on the First

Division accident reconstruction team. In 2010, Jones was promoted to first sergeant and assigned to the Richmond Field Office Insurance Fraud Unit. In addition to insurance fraud, his responsibilities include the fugitive and sex crimes units as well as general investigations.

"I am new to the Insurance Fraud Industry and was introduced to it via this assignment," commented Jones. "I thoroughly enjoy the fraud-fighting program and the relationships the department has established over the years with special investigators and other fraud fighters."

Jones remarked that prior to coming into the program he didn't fully understand the impact of insurance fraud, but the training he's received, coupled with the short time he's spent in the fraud-fighting program, has opened his eyes to the scope of the problem.

"I am looking forward to continuing to build relationships, attending advanced training and promoting the program to make it even stronger and more successful," said Jones.

Special Agent Joseph C. Straughan, Jr.



Special Agent Straughan started his career with the Virginia State Police in April 2002. Following graduation from the VSP Training Academy, Straughan was assigned to King George County and three years later transferred to neighboring Westmoreland County on Virginia's Northern Neck. Straughan was promoted to special agent in 2007 and assigned to the Richmond Bureau of Criminal Investigation's Drug Enforcement Section. He transferred to

the Insurance Fraud Program in September 2011. Straughan has also served in the tactical field force and as a field training officer.

Outside the Department, SA Straughan has served as a lieutenant/emergency medical technician for the Colonial Beach Volunteer Fire Department and the Colonial Beach Volunteer Rescue Squad.

"What impresses me about the Insurance Fraud Program," said Straughan, "is the determination and motivation to reduce insurance fraud, since premiums rise every day in this challenging economy due to the frauds being committed."

THIRD DIVISION

Special Agent Matthew D. Okuley



Special Agent Okuley's career with the Virginia State Police began in May 2000. He served as a trooper in the Norfolk/Virginia Beach area until 2006. While a trooper, he graduated from the Explosive K-9 basic school. In 2006, Okuley transferred to the Campbell County, Lynchburg area and in 2006 was promoted to senior trooper. He was promoted to special agent and joined the Insurance Fraud Program in 2011. Okuley is also a 2000 graduate of the Virginia Military Institute, with a bachelor's degree in Economics and Business.

"I have always had an interest in investigating insurance fraud cases," said Okuley. "I grew up in an insurance environment. My father retired from the insurance industry years ago."

Okuley remarked he wanted to gain experience with white-collar criminal investigations. As an attendee of the recent Red Flag school in Staunton, he said he was very impressed with the training. "It provided a great opportunity to network with the commonwealth's attorneys and SIUs from all over the state."

"I look forward to being an integral part of the effort to close the pipeline to insurance fraud in this state."

FIFTH DIVISION

First Sergeant Keith J. Whitley



First Sergeant Whitley came to the Department in 1994. His assignments have ranged from trooper and special agent accountant to assistant special agent in charge of the Drug Enforcement Section and first sergeant in the Bureau of Field Operations.

"I have worked both on the General Investigation and Drug Investigation

sides of BCI," said Whitley. "I took the position in Insurance Fraud because I think it will be a great opportunity to learn another aspect of financial crimes investigations."

SEVENTH DIVISION **First Sergeant Michael A. Smith**



Special Agent Smith began his career as a trooper with the Virginia State Police in August 1988. He was assigned to Northern Virginia upon graduation from the VSP Academy and worked in patrol and the Safety Inspection Program until he was promoted to special agent in 1996. As a special agent assigned to the Chesapeake Field Office, he worked as a crime scene technician processing homicides, larcenies and auto thefts.

In 1999, Smith became one of the inaugural members of the VSP Insurance Fraud Program in Northern Virginia, where he worked many cases including adjuster fraud, claims padding, perjury, forgery and false pretenses. Smith also worked as a special agent accountant for four years, investigating financial crimes such as check and credit card fraud, identity theft and embezzlement.

In October 2004, he was promoted to first sergeant in the General Investigation Section of the Fairfax Field Office where he supervised the Bomb/Arson program, the Internet Crimes Against Children Unit and, as of 2009, the Insurance Fraud Program.

"Insurance fraud investigations are challenging and rewarding, especially when you work alongside Special Investigation Units in order to bring the fraudsters to justice," said Smith. "It is wonderful to see the progress the VSP Insurance Fraud Program has made over the past 10 years, and the strong working relationships that have been formed with the SIUs and local prosecutors."

Insurance Fraud Program Activity Report

January 01, 2011 through December 31, 2011

1. Number of notifications received	2,035
A. Hotline	139
B. Web	1,772
C. Other	124
2. Number of notifications sent to unopened case file	1,455
3. Number of investigations initiated	252
4. Number of notifications referred to other BCI Divisions	3
5. Number of notifications referred to other agencies	88
6. Number of cases involving property fraud	1,259
A. Motor Vehicle/Auto	917
B. Homeowners	241
C. Commercial	54
D. Other	47
7. Number of cases involving injury/casualty fraud	627
A. Motor Vehicle/Auto	318
B. Homeowners	42
C. Commercial	61
D. Workers' Compensation	146
E. Other	60
8. Number of cases of actual fraud (collected)	279
9. Number of cases of attempted fraud	1,035
10. Total amount of claimed loss (collected)	2,162,038
11. Total amount of claimed loss (attempted)	9,703,361
12. Number of cases presented to Commonwealth's Attorneys	91
13. Number of cases adjudicated	143
14. Number of arrests for insurance fraud	205
15. Number of convictions for insurance fraud	79
A. Felonies	32
B. Misdemeanors	47
16. Number of arrests for related offenses	26
17. Number of convictions for related offenses	23
18. Amount of restitution ordered	149,941
19. Number of fraud awareness presentations	14
20. Number of persons contacted	1,461

