

2012

ANNUAL REPORT



Report From the Superintendent



Colonel
W. Steven Flaherty
Superintendent
Virginia State Police

The Virginia State Police (VSP) Insurance Fraud Program (IFP) continues to make inroads in the fight against the crime of insurance fraud as the number of arrests and convictions for 2012 surpassed the previous year's numbers.

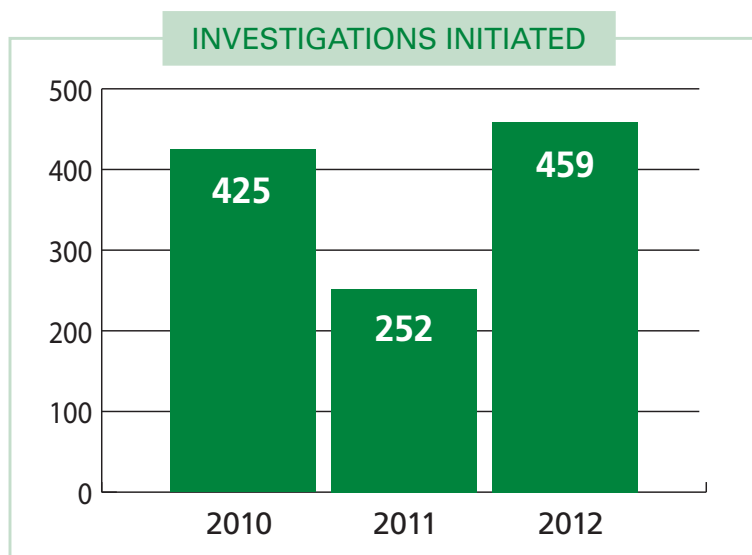
In 2012, the IFP received 1,976 notifications of suspected insurance fraud. Since 1999, when the Program began, more than 19,000 referrals have been made to the VSP. Insurance fraud special agents opened 459 cases in 2012, which is almost twice the number opened in 2011. They made 383 arrests for insurance fraud and other related offenses – a 66 percent increase over 2011.

Court-ordered restitution was more than \$3 million in 2012, the second-highest amount of restitution ordered by the courts since 2001. This brings the total of ordered restitution since the program began in 1999 to almost \$18 million. Suspected false insurance claims reported to the IFP, both attempted and collected, topped \$147 million.

"The 2012 statistics reflect the strong partnerships the IFP has established with the insurance industry and commonwealth's attorneys, as well as other law enforcement agencies," said Virginia State Police Superintendent W. Steven Flaherty. "More fraudsters need to be

brought to justice as Virginia residents ultimately pay the price for insurance fraud through higher rates along with increasing costs for items they purchase every day."

Over the 14 years the program has been operating, agents have initiated 4,574 fraud

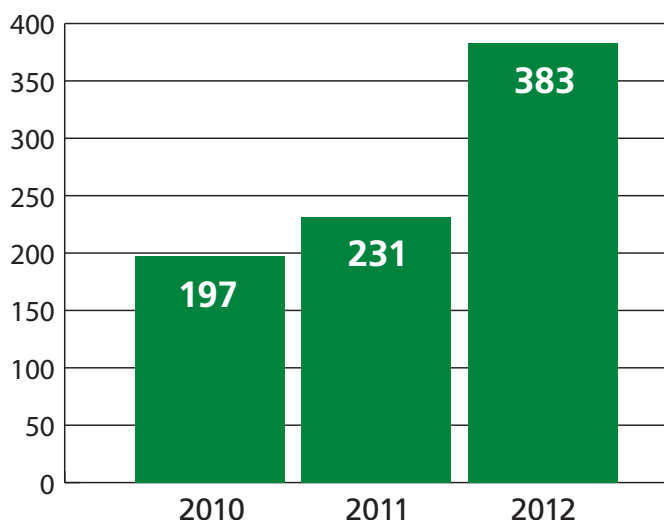


investigations and made a total of 2,468 arrests for insurance fraud. In 2012, the IFP presented 115 cases to commonwealth's attorneys, an increase over the previous year, and 138 cases went to court.

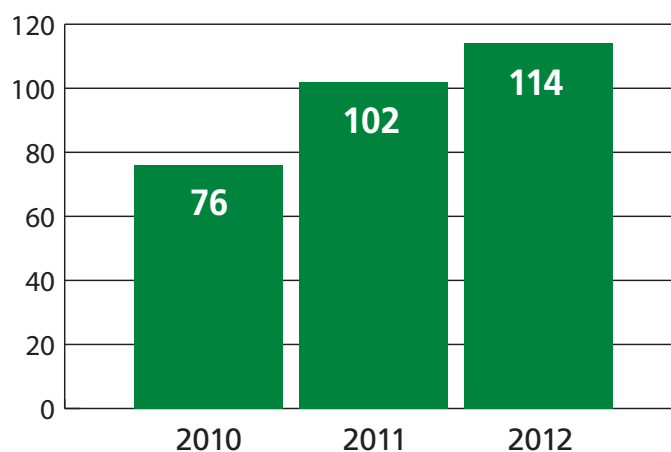
As required by Virginia law, the VSP investigates suspected fraud in property and casualty lines of insurance, as well as suspected workers' compensation fraud. The 2012 statistics show 1,133 property fraud-related notifications were received by the IFP. Notifications involving injury and casualty fraud totaled 530. Of the 530 notifications received for injury and casualty fraud, 144 (27 percent) were for workers' compensation claims.

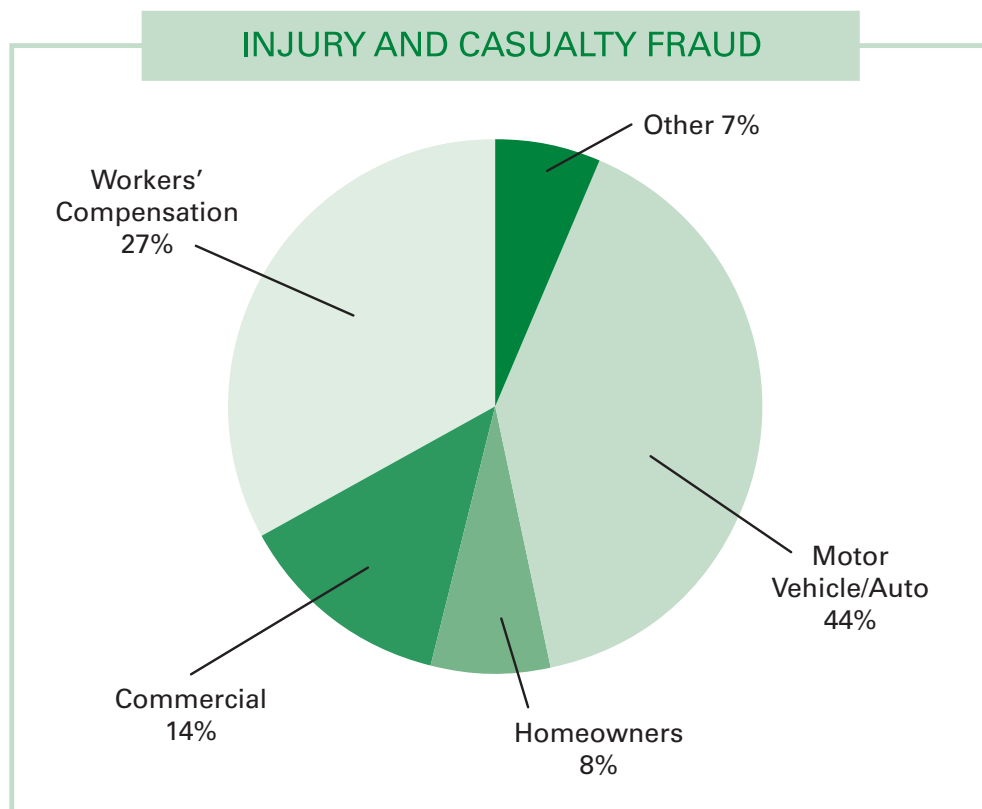
The IFP's sponsorship of the Red Flag training continued for a third year, bringing together commonwealth's attorneys, VSP special agents and insurance company investigators to share information about the investigation and prosecution of insurance fraud. The three-day training, held in Fredericksburg, was organized by the Commonwealth's Attorneys' Services Council. Faculty represented all facets of law enforcement, the legal profession and the insurance industry.

ARRESTS



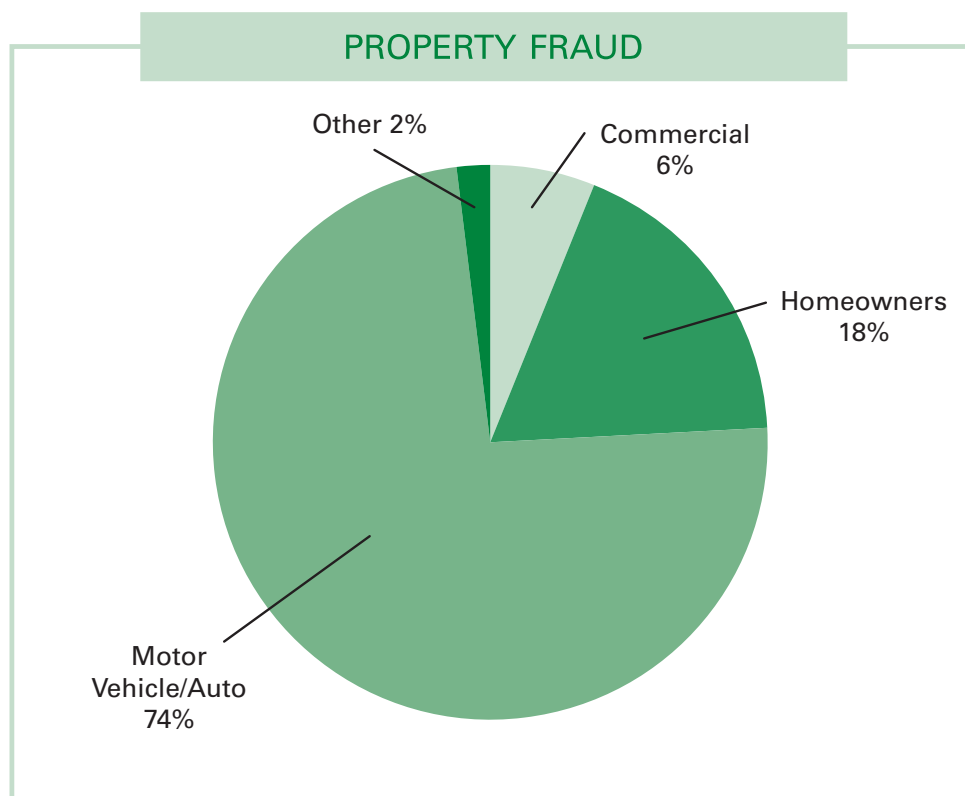
CONVICTIONS





Governor Robert F. McDonnell issued a proclamation declaring the week of May 6, 2012, 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.

In 2012, the IFP's "new media" marketing and public awareness efforts included a second 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. Students were asked to showcase their talents by spoofing the classic TV game show or cop show genre in a video about insurance fraud. Winners were posted on the StampOutFraud YouTube channel and Facebook Fan Page.



In addition to the video contest, banner advertising was used from December 2011 to July 2012, reaching out to consumers via the Internet and directing them to the StampOutFraud.com website for more information about insurance fraud. The ads received 35,241 click-throughs to the IFP website and more than 11 million impressions. Consumers were invited to take an insurance fraud quiz to receive a prize.

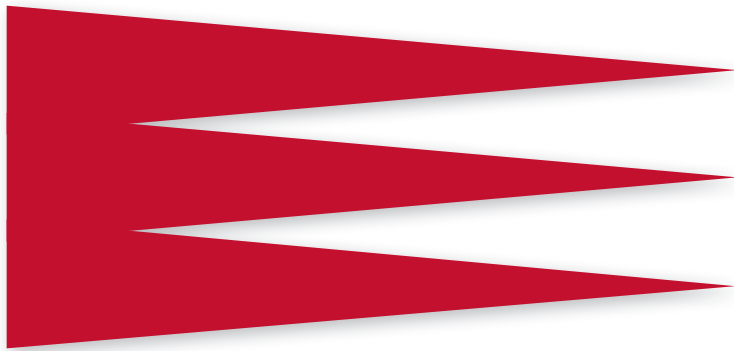
We look forward to 2013 and continuing the fight against insurance fraud. As the number of notifications, arrests and prosecutions continues to rise, the IFP would like to thank everyone who has contributed to our success. The IFP, special agents and analysts, the insurance industry, commonwealth's attorneys 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.



Red Flag Training – The Investigation and Prosecution of Insurance Fraud

Fredericksburg was the site for this year's Red Flag training, which has become an annual training event for Virginia State Police insurance fraud special agents, insurance company investigators and commonwealth's attorneys.

In insurance jargon, a red flag is defined as an indicator of potential insurance fraud, and being able to identify those red flags is vital to the development and prosecution of an insurance fraud case.



Red Flag

Other necessary elements for the successful investigation and prosecution of insurance fraud, are the roles that investigators, law enforcement and prosecutors play, which is why the Red Flag training revolves around team building. Twelve individuals from each of the three disciplines were selected to participate in this

training. Teamwork opportunities were provided to the students in the form of a fact-based scenario to supplement their other training.

The program's lectures included the basics of insurance fraud investigations and fraud indicators, prosecution strategies and methods, criminal defenses and procedures, investigative resources and fraud-fighting technologies.

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.

State's Top Fraud Fighters Receive Awards

The Virginia State Police (VSP) Insurance Fraud Program (IFP) recognized seven Virginia "Fraud Fighters" with the coveted Fraud Fighters Award. This award, established in 2005 by the IFP, is presented annually to those individuals who demonstrate their willingness to go the extra mile fighting fraud in the commonwealth. A total of 80 Fraud Fighter Awards and 14 Certificates of Recognition have been presented since the first awards were handed out in 2005.

Fraud Fighter nominees represented the categories of law enforcement, commonwealth's attorneys and the insurance industry. The awards were based on each nominee's contributions to Virginia's anti-insurance fraud efforts, which include their involvement and contribution to investigations; prevention and pro-active activities; enforcement; interaction with the insurance community; or financial impact by recoveries and restitution resulting from their fraud-fighting efforts.



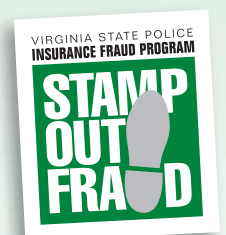
From left to right: John Huddleston, Erie Insurance; Evie Eastman, deputy commonwealth's attorney, Arlington County; Stephen Royalty, assistant commonwealth's attorney, Hanover County; Special Agent Brandon Blakey, Virginia State Police; Sheryl Hines, senior investigator, Bureau of Insurance; Special Agent Phillip Edmonds, Virginia State Police; Special Agent Steve Pruitt, Virginia State Police; Major Rick Jenkins, Virginia State Police; First Sergeant Steve Hall, Virginia State Police.



The recipients of the 2012 Fraud Fighters Award are:

- **VSP Special Agent Brandon Blakey** received a notification from GEICO about a couple making multiple claims with different insurance companies for the same damage to their 2006 Dodge Stratus. Blakey coordinated with all the involved insurance adjusters and, after reviewing photographs and estimate reports, determined each insurer had performed estimates for the same damage. Blakey interviewed the suspect and was able to get a confession for all the false claims. Going beyond the initial information received from GEICO, Blakey noticed a report on an insurance claims database showing the fraudster filed a theft claim with Progressive for his 1993 Eagle Vision. Blakey was able to get the man to confess his vehicle was never stolen and was sold four years earlier to a junkyard. This investigation resulted in nine felony arrests. As a crime scene investigator, Blakey has also assisted the auto theft program with processing numerous stolen vehicles recovered in the Tidewater area.
- **Margaret “Evie” Eastman**, deputy commonwealth’s attorney for Arlington County, is carrying the task and the mission of fighting fraud into the courts. Since 1990, she has served Arlington County and the City of Falls Church, highlighted by her promotion in 2002 to deputy commonwealth’s attorney. Strong in the prosecution of financial and white-collar crimes, she is described as detail oriented and dogged in her pursuit of evidence. She is willing to look outside the box, putting forth extra effort to piece together cases from disparate and discrete facts. Her experience level is broad and deep, having prosecuted murder, sexual assault and street crimes. Eastman has been the financial crimes advisor to Arlington Police, while carrying a full trial caseload. Eastman has used her time and position well to take an active interest in the prosecution of insurance fraud. Her influence has enhanced positive experiences for insurance representatives, law enforcement and other prosecutors with her very active participation in developing Red Flag training. She has served as faculty and mentor, and continues her full-time advocacy.

- Based on a referral from MetLife, **VSP Special Agent Phillip Edmonds** took on a case involving a matured endowment check mailed to the insured, Dale Smith. MetLife received a call from a Dale L. Smith informing them the check was not his, and it would be returned. Several months went by and the check wasn't returned to MetLife. After several attempts to contact this Dale L. Smith failed, MetLife tried to recover the funds through the bank of first deposit. However, since the check had gone into the account of a Dale Smith, the bank would not send a credit to MetLife. It was determined the Dale Smith who owned the policy actually died in 1980. The Dale L. Smith who received the check attempted to hide the funds by transferring them to an account in his wife's name. Without the interest and time Edmonds spent working this case, MetLife would not have received the money back from Dale Smith's bank account. It was Edmonds who gets credit in this case. The recovery amount was \$5,860.48; however, greater than the financial impact is the statement that fraud won't be tolerated.
- Because of the efforts of **Sheryl Hines**, senior investigator with the Bureau of Insurance (BOI), a crooked insurance agent, who defrauded or attempted to defraud at least 1,700 policyholders, insurance agents and life insurance companies, will spend 36 months in prison and make restitution of \$1.6 million to his victims, as well as forfeit a \$1 million condominium in Arlington, his retirement fund and a vacation home on the Chesapeake Bay. Even after surrendering his license, he continued to perpetrate large scale insurance fraud. Realizing that further BOI actions against this fraudster would have little or no effect, Hines contacted the FBI, offering to share the results of the BOI investigation. She worked with both the FBI, and U.S. Postal Inspection Service to bring an end to the fraud, which had likely affected thousands of policyholders throughout the U.S. Without Hines' referral to the FBI, her sharing of the BOI's previous investigative findings and her continued participation in the investigation, the fraudster's prison time and restitution, along with the substantial recovery of lost commission payments by the victim insurance companies, would not have happened.



- **John Huddleston**, senior ISS supervisor with Erie Insurance, began his career as a fraud fighter in law enforcement where he served for 11 years as a Bedford County deputy sheriff. In 1995, he interviewed for the position of fraud investigator with Erie Insurance, was hired as the Roanoke Branch fraud investigator, and immediately became a valuable member of the Erie Claims Team. He was promoted to supervisor in 1999. His track record for leadership led to a promotion to his current position. Huddleston is responsible for providing guidance and support for his staff of investigators, as well as ensuring the investigations within his area are conducted in compliance with Virginia law and established company best practices. He routinely conducts training for company personnel and Erie agents on fraud awareness. Huddleston's leadership skills are also vital to the VA IASIU where he serves on the board of directors as vice president. He is active in the Southwest Virginia Fraud Group and is a faculty member of Red Flag.
- **Special Agent Steve Pruitt** joined the VSP Insurance Fraud Unit in July 2010. He has actively investigated insurance fraud in the Hampton Roads area since then, and his determined work ethic and investigative skills have made him an effective fraud fighter. Pruitt was assigned to work on an extremely complex criminal investigation involving 41 fraudulent insurance claims submitted to Aflac Insurance. As a result of his investigation, 62 felony warrants were obtained and served on the subject in Greensville County, including 41 charges for Obtaining Money by False Pretense and 21 charges for forgery of physicians' names. He has also opened 28 cases and made 22 additional felony arrests related to other insurance fraud cases and various crime scene cases he has opened since joining the Unit. Pruitt possesses an enthusiastic attitude toward combating insurance fraud. He maintains professional working relationships with local, state and federal agencies, as well as the insurance industry.
- **Stephen Royalty**, senior assistant commonwealth's attorney for Hanover County, is well known in the fraud fighters' community. He served as assistant commonwealth's attorney for Danville before

joining Hanover County in 2002. Prior to that, Royalty was a civil trial lawyer handling personal injury claims. His extensive overall understanding of insurance fraud issues has extended into the successful prosecution of insurance fraud in Hanover County, where he is the lead prosecutor for white-collar financial crimes and insurance fraud. One of his successful cases was used in the development of Red Flag's curriculum. Royalty serves as both a member of the Red Flag steering committee and a member of the faculty.

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 individuals who commit insurance fraud in the commonwealth of Virginia.

The Sharp Eye Reward Fund has paid \$83,250 to 23 recipients in 21 cases. No rewards were distributed in 2012. Applications for rewards can be submitted by insurance companies, local and federal law enforcement and the state police.

The Reward Committee, composed of 12 members from the VSP, the insurance industry, local law enforcement and a commonwealth's attorney, determines 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 families are ineligible for a reward. The final determination on the Sharp Eye Reward is made by the VSP Superintendent.

Insurance Fraud Public Awareness Activities in 2012

Public awareness continues 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 "Sharp Eye" reward, the website, social media and the toll-free hotline are all tools for educating the commonwealth's citizens about insurance fraud — how to keep from being victimized and the consequences of committing insurance fraud.

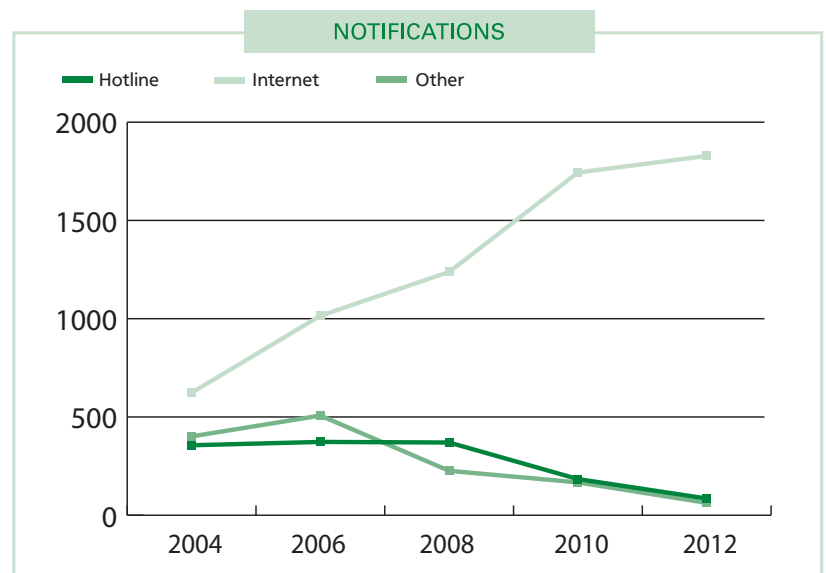
In 2012, the number of unique visitors to StampOutFraud.com jumped from 25,621 to 116,226 for a total of 283,309 page views, almost four times the number of page views in 2011. Each person visited an average of 2.28 pages, and new visits accounted for 93.4 percent of the visitors.

The IFP once again teamed up with colleges around the state to spread the word that insurance fraud is a costly crime affecting all Virginia households. The "Spoof! Insurance Fraud" video contest asked students to showcase their talents by spoofing the classic TV game show or cop show genre in a video about insurance fraud. The winner, from Liberty University, received a prize of \$500 and a Kindle Fire for his video, "Help Me Fraud," where he plays multiple characters. The contest was promoted on Facebook as well as in news releases.

The IFP also continued the pay-per-click banner advertising for StampOutFraud.com, which contributed to the substantial jump in visitation to the website. This was the only paid advertising during 2012, 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 December 2011 through June 2012 the number of total impressions for the ads was greater than

11 million, with more than 35,000 click-throughs, which produced a click-through rate (CTR) of 0.31 percent. The average CTR for all industries and ad sizes is 0.05 percent.

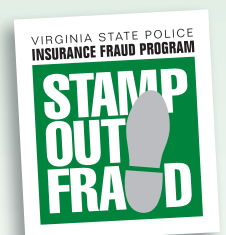
The total number of notifications received by the IFP remained flat in 2012; however, the IFP's number of notifications received via the Internet showed a slight increase. In 2012, the IFP received 1,828 notifications from citizens, insurance investigators and members of law enforcement through the website, StampOutFraud.com. 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 declined in 2012.



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 6-12, 2012, once again received recognition by 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, the Independent Insurance Agents of Virginia, Chubb Insurance, Nationwide Insurance and Red Flag. A total of 18 presentations were made in 2012. In addition to training events, the Ford Expedition, which 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.



Insurance Fraud Victories in 2012

The following cases highlight a few of the Virginia State Police insurance fraud victories of 2012. These illustrate the types of insurance fraud cases investigated by the Department.

Virginia Woman To Spend 2 Years In Prison For Insurance Fraud

As a result of a three-year investigation by the Virginia State Police Insurance Fraud Unit, a Virginia woman will have to spend the next 25 months in prison and pay more than \$100,000 in restitution for selling nonexistent insurance policies.

In February 2009, the VSP received a notification from the Bureau of Insurance (BOI), a division of the State Corporation Commission (SCC), alleging Mae Anne Fattaleh, 40, of Schuyler, Va., was selling insurance policies that never existed. She received payments from policyholders for bogus insurance.

Fattaleh was the owner and operator of M.A.S. Insurance Services, Inc. and M.A.S. Insurance Agency, which were licensed at that time by the BOI to sell insurance in Virginia. The businesses had offices in the Charlottesville area. Fattaleh was arrested in August 2009 and charged with four counts of Obtaining Money By False Pretense.

While out on bond, in January 2011, Fattaleh was again arrested on other insurance fraud-related charges including Attempting to Obtain Money by False Pretense and Bad Checks. In neighboring Nelson County, Fattaleh was also charged with numerous counts of Credit Card Theft.

Following a three-year investigation by VSP Senior Special Agent Fred L. Solomon, Jr., Fattaleh was tried in the Circuit Court of the City of Charlottesville, convicted of four counts of Obtaining Money by False Pretense and sentenced to a total of 23 years in prison, with all but 25 months suspended. The case was prosecuted by Deputy Commonwealth's Attorney Claude V. Worrell II, City of Charlottesville.

In addition to the 25 months in prison, Fattaleh also has to make restitution to her victims in the amount of \$114,009.45 and pay court costs of \$2,108. When she is released from prison, Fattaleh faces spending the rest of her life on supervised probation.

Workers' Compensation Fraudsters Found Guilty of 23 Felonies

The Salem IFP office is in the final stages of a two-year fraud investigation, and the victim was the Virginia Workers' Compensation Board. The sum of \$47,456.64 was paid out over a period of approximately two years in the name of a deceased individual. It was discovered that the checks were cashed by three suspects in multiple jurisdictions.

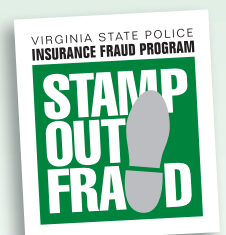
Two of the suspects were indicted in the City of Danville, and the third suspect (who was incarcerated on other felonies) was indicted in Henry County. The Danville venue resulted in 63 fraud-related indictments and the Henry County venue in 92.

The disposition of the Henry County indictments resulted in a guilty plea to 23 felonies, restitution in the amount of \$37,390.08 and court costs totaling \$9,110.00. Sentencing was in December. The subject was sentenced to four years to serve in the penitentiary, with three years supervised probation upon his release.

The Danville indictments resulted in 60 felony convictions.

Fraudster Indicted for Staged Crash

The Salem IFP office is in the final stages of an 18-month investigation involving one primary suspect who ran a fraudulent scheme involving used vehicles and vehicle parts. The service was operated using the Internet as the method of obtaining payment for the vehicles and vehicle parts. The investigation has yielded 25 fraud-related felony indictments and eight misdemeanor charges (five related to tax violations and three to business license violations). Court is scheduled for the above offenses in the first quarter of 2013.



In addition to the above charges, the same suspect has been indicted for his participation in a staged crash in a second venue. Three additional suspects were also charged with their participation in this same crash. A total of six charges (four for attempting to Obtain Money by False Pretense and two for Obtaining Money by False Pretense) were obtained as a result of this investigation.

The IFP Welcomes Two Special Agents and a First Sergeant

Two new insurance fraud special agents and a first sergeant joined the IFP in 2012, replacing personnel who retired, were promoted or transferred to other units within the VSP. The new first sergeant and special agents bring a variety of experiences and knowledge to the IFP along with a strong commitment to fight insurance fraud.



FIFTH DIVISION

First Sergeant Paul J. Fowler III

First Sergeant Fowler has been with the Department more than 25 years. He joined in 1987 as a Trooper, moving up the ranks to special agent, senior special agent and first sergeant. While working as a special agent in the Bureau of Criminal Investigation, his assignments have included the Criminal

Intelligence Division, Drug Enforcement, Bomb/Arson in General Investigations and High Tech Crimes. As a first sergeant, he supervised special agents in Bomb/Arson. Fowler's public safety career also includes working with the Chesapeake Fire Department and Chesapeake Police Department.

"Insurance fraud is a crime that affects everyone. Economically, it costs the average family hundreds and thousands of dollars a year in extra premiums and increased costs of consumer goods. It is important to partner with insurance companies in the investigation of insurance fraud to prosecute these criminals because they are essentially picking the pockets of law-abiding citizens."



FIRST DIVISION **Special Agent Ronald Ravensbergen**

Special Agent Ravensbergen began his career with the Department in 1997 and worked as a Trooper in Fredericksburg and Spotsylvania for two and a half years. Following his stint in northern Virginia, he transferred to the Hanover and Henrico area where he worked for seven years and moved up to Senior Trooper. Ravensbergen then transferred to the Governor's detail and spent the next five years of his career with the Executive Protection Unit.

His other assignments in the VSP include general instructor and defensive tactics instructor. He has also worked as a driving instructor, field training officer and background investigator. Ravensbergen is a survival Spanish instructor and one of the five Troopers who generated the survival Spanish curriculum and taught it statewide to VSP's Bureau of Field Operations.

Outside the Department, Ravensbergen is also a pastor and has spent time serving as a missionary.

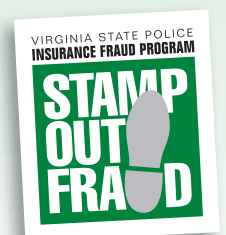


Special Agent Howard Helmer, Jr.

Special Agent Helmer began his career with the VSP in 1991. Over the past 21 years, Helmer has worked the road as a Trooper in the Bureau of Field Operations, as a special agent in the Bureau of Criminal Investigation's drug enforcement section and as a supervisory special agent with the Meherrin Drug Task Force.

Transferring to the Insurance Fraud Unit in 2012 gave Helmer the opportunity to broaden his investigative experience. When asked about insurance fraud investigations, he said, "I am most impressed with the sense of 'teamwork' shared by the state police special agents, the insurance SIUs, and the commonwealth's attorneys."

When he's not busy fighting crime, Helmer serves as an assistant Boy Scout leader.





Insurance Fraud Program Activity Report

January 1, 2012 through December 31, 2012

1. Number of notifications received	1,976
A. Hotline	85
B. Web	1,828
C. Other	63
2. Number of notifications sent to unopened case file	1,386
3. Number of investigations initiated	459
4. Number of notifications referred to other BCI Divisions	1
5. Number of notifications referred to other agencies	46
6. Number of notifications involving property fraud	1,133
A. Motor Vehicle/Auto	840
B. Homeowners	208
C. Commercial	63
D. Other	22
7. Number of notifications involving injury/casualty fraud	530
A. Motor Vehicle/Auto	234
B. Homeowners	42
C. Commercial	73
D. Workers' Compensation	144
E. Other	37
8. Number of cases of actual fraud (collected)	221
9. Number of cases of attempted fraud	999
10. Total amount of claimed loss (collected)	\$2,113,115
11. Total amount of claimed loss (attempted)	\$12,595,798
12. Number of cases presented to commonwealth's attorneys	105
13. Number of cases adjudicated	138
14. Number of arrests for insurance fraud	231
15. Number of convictions for insurance fraud	44
A. Felonies	17
B. Misdemeanors	27
16. Number of arrests for related offenses	152
17. Number of convictions for related offenses	70
18. Amount of restitution ordered	\$3,670,549
19. Number of fraud awareness presentations	18
20. Number of persons contacted	2,040