



**Virginia State Police
Bureau of Criminal Investigation**

Insurance Fraud Division
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www.stampoutfraud.com



2001 Annual Report

Virginia State Police
Insurance Fraud Division



Making an Impression

The Insurance Fraud Division (IFD) of the Virginia State Police Bureau of Criminal Investigation has made its mark in a three-year battle against insurance fraud.

The numbers reflect the impact of our efforts. During our third year of operation, the special agents responded to a record number of 1,012 notifications of suspected property and casualty fraud, which resulted in 181 investigations. Of the 181 investigations initiated, 101 cases were accepted for prosecution, resulting in 85 arrests for insurance fraud, 33 arrests for related offenses, and almost \$8 million ordered in restitution. The first year of operation yielded \$19,870 ordered in restitution and the second year, \$353,948.

During three years of operation, the Insurance Fraud Division has received an impressive total of 2,330 notifications, which resulted in 601 investigations, 196 cases accepted for prosecution, 289 arrests, and \$8,373,606 in ordered restitution.



Colonel W. Gerald Massengill
Superintendent,
Virginia State Police

Although we believe our successful investigations are a great deterrent to insurance fraud, the long-term solution to defeating this crime is to stop it before it takes place. The best means of prevention is greater awareness on the part of the general public. A public awareness campaign developed to inform Virginia citizens about the IFD and its toll-free telephone number has clearly been effective: the number of calls to the Fraud Hotline increased sevenfold over the past year.

The IFD has made a bold impression by raising awareness about the incidents of insurance fraud. Everyone can help



Darrel E. Stilwell
Director, Bureau of
Criminal Investigation

“STAMP OUT FRAUD” by developing an understanding of this crime, by taking responsibility in its prevention, by advocating legislative action that reinforces the role of the Insurance Fraud Division, and by reporting cases of suspected insurance fraud when appropriate. We ask for your ongoing support in our fight against this insidious crime that we all pay for.

Colonel W. Gerald Massengill
Superintendent, Virginia State Police

Darrel E. Stilwell
Director, Bureau of Criminal Investigation



Looking Ahead



Frank A. Williams
Assistant Director, Bureau of
Criminal Investigation

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During our first year of operation, we concentrated on letting the insurance industry know that we were in business. During the second year, our main goal was to inform the general public about the IFD. We developed an ongoing public awareness program that included television and radio public service announcements.

During this third year, our focus has been on educating Virginia law enforcement agencies about insurance fraud. We more than doubled the number of personnel that were trained. In 2001, we trained 1,512 personnel at 36 presentations, as compared to 614 personnel at 10 presentations during 2000. Eventually, we anticipate providing a permanent training schedule for all of the



The Virginia State Police IFD hosted a meeting in February of the Mid-Atlantic Insurance Fraud Investigators, with representatives from Delaware, the District of Columbia, New Jersey, New York and Pennsylvania in attendance.

regional criminal justice academies to alert them to insurance fraud scams because many fraudsters know they must have a police report to make their fraudulent claim appear legitimate.

Looking ahead, the IFD is seeking permanent continuance of its operations from the 2002 session of the General Assembly. With the full support of the insurance industry, the IFD is requesting that the General Assembly remove the "sunset clause," which limits the division's operation to a four-year term: January 1, 1999 - January 1, 2003. The IFD has proven to be an effective deterrent to insurance fraud and should be established permanently.

The IFD is also seeking authorization from the General Assembly to add one supervisor, four special agents and seven other support positions to our growing IFD operations.

I am excited about the impact our investigations have had on the wide variety of insurance fraud scams, which range from an individual's legitimate but inflated insurance claim to major crime rings with multiple co-conspirators. Our success can be directly attributed to the cooperation of the insurance industry and other law enforcement agencies, the general public's willingness to become involved, and the hardworking, dedicated people here at the IFD. We look forward to the prospect of making an even greater impact on insurance fraud crime in the future.

Frank A. Williams

Assistant Director, Bureau of Criminal Investigation



Assistant Special Agents-in-Charge and Special Agents

Leave Their Mark on Insurance Fraud

From the far reaches of Virginia's rural southwest to its urban north, the IFD special agents pursue criminals that commit insurance fraud statewide.

From the far reaches of Virginia's rural southwest to its urban north, the IFD special agents pursue criminals that commit insurance fraud statewide. But the special agents have a dual mission in fighting insurance fraud. They perceive their role in reducing insurance fraud through raising public awareness as important as actually solving the crimes.

The special agents bring great expertise to their investigations. Most of the special agents have come to the IFD from other investigative units within the Bureau of Criminal Investigation (BCI). The two Assistant Special Agents-in-Charge and the four Special Agents whose profiles follow, collectively have over 100 years of experience with the Virginia State Police.



Assistant Special Agent-in-Charge

Elizabeth A. Flournoy, Salem — Beth Flournoy, an attorney and 18-year veteran with the BCI, worked in the legal office and as a first-line supervisor in drug and asset forfeiture, before joining the IFD

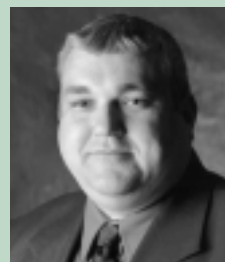
start-up operation during 1999. She now supervises 9 special agents over a wide rural and urban area that extends from southwestern to northern Virginia.

Flournoy said, "I think insurance fraud is interesting because it is a crime that absolutely touches everybody. We all realize that insurance fraud results in higher insurance premiums for

every policyholder. This means that, in addition to our own insurance premiums going up, the cost of all the goods and services escalates as well—the cost of insurance fraud is passed along to consumers as a cost of doing business."

A current investigation in northern Virginia involves multiple contractors repairing roofs and siding for alleged hail damage. Flournoy observed that, fortunately, Virginia does not generally have catastrophes that lead to this type of fraud: "They see it a lot in Florida where they have hurricanes. All these contractors will either come in from other areas or spring up over night. It is a crime of opportunity."

Regarding the impact of IFD operations, Flournoy said, "We can really see a difference between now and three years ago in terms of the public's attitude. To me, deterrence is one of our most important goals. I feel like we are really making inroads that way. We're moving in the right direction. I think we could have stronger and more specific criminal statutes to address the problem." She explained that difficulties proving "venue" can be an obstacle to prosecuting cases.



Assistant Special Agent-in-Charge
Johnson C. Miers III, Richmond

— J. C. Miers began his career with the State Police 12 years ago as a trooper. He joined the BCI during 1994, working



narcotics investigations before becoming a member of the IFD team during 2001. He is a supervisor for 5 special agents, 3 in Richmond and 2 in Chesapeake.

Miers said that joining the IFD has been both a positive experience and a challenge. In comparing the investigation of insurance fraud to drug investigation, he said, "Insurance fraud investigation is more of a mental challenge and requires a greater amount of investigative work to get sufficient evidence to prosecute a case." In contrast, drug investigations are more cut and dried: "A narcotics investigation is not as labor intensive to get to the stage of prosecution," he explained.

Miers expressed great optimism about the direction and growth of the IFD: "The number of notifications of suspected fraud has increased greatly over the past few years." He believes that revoking the "sunset clause," so that the division will operate on a permanent status, will be a positive and important step in the right direction. He explained that, "like anything that starts up," the IFD continues to evolve with better ideas and ways to more effectively fight insurance fraud crime.



Special Agent Linwood R. Spears, Richmond – Lin Spears began his 14-year career with the State Police as a trooper. He has been with the BCI since 1993, and the IFD since its inception in 1999. He said, "I went from bomb to arson to

insurance fraud. To most people, insurance fraud might not seem as exciting, but I'm enjoying working with the IFD – it's been a different type of challenge. It is very rewarding to conduct a complete and thorough investigation and be able to present it in court and have the person convicted."

The types of investigations, in which many are a coordinated effort with local, state, and federal agencies, can have many aspects such as occurred at a travel agency where over \$200,000 had been paid on dozens of false trip insurance claims, which were made using fictitious names.

It can be difficult to get enough evidence to bring charges. One man is believed to have staged single-car accidents using a fleet of cars. He was in cahoots with a body shop, which supplied damaged parts from duplicate models. The suspect reaped approximately \$60,000 a year for several years. However, unfortunately sufficient evidence could not be developed to support an arrest.

Spears said, "We have a lot of those. You know they did it but you can't prove it. But I think if they're dishonest in one thing they're probably dishonest in another. Somewhere down the line they'll get caught. Justice will be served – you'd like to think that."



Special Agent William A. Royall, Chesapeake – Tony Royall, who was a State Police trooper for 13 years, spent a year in narcotics before joining the IFD in 2000. Regarding insurance fraud investigation, he said, "It's been

great. What I like about it is there's a myriad of investigations related to insurance fraud."

Royall marveled at the perpetrators who refuse to give up their devious ways. A convicted drug dealer, who was also prosecuted for charges related to staging an accident, was subsequently arrested for more drug charges. And a woman, who was convicted during 2001 on two counts of insurance



fraud, had attempted to become an insurance agent. She reported she had chipped her teeth on a peach pit in a restaurant's milkshake, and then claimed the identical injury later that same day from a pecan shell in a grocery store's ice cream. Investigation revealed that her teeth had been chipped since childhood.

According to Royall, networking with local law enforcement is essential: "Once we get the word out, we can go to these local departments and educate them as to what we do and how we can work with them. That's what we like to do – foster good relations with local departments."



Senior Special Agent Douglas W. Orebaugh, Salem – Doug Orebaugh, a 30-year State Police veteran who has been with the BCI since 1985, joined the IFD when it began operation during 1999. He observed, "Investigating insurance fraud has been a real eye opener. I had no idea that this much fraud was going on."

Orebaugh, who is currently handling about 25 active cases, discussed the repeat offenders: "Prior to our inception there was no incentive not to do it again. They didn't even get their hand slapped. They would just do it again and again."

One individual who devised multiple schemes is a case in point. One of his scams resulted in convictions for arson and possession of stolen property. He reported his garage fire, claiming that he had heard an explosion. It was determined that the fire had been deliberately set and a propane gas grill, which had been turned on, had failed to explode as planned. Investigation also revealed that a boat damaged in the fire had been stolen from Maryland and insured in Virginia only three days before the fire.

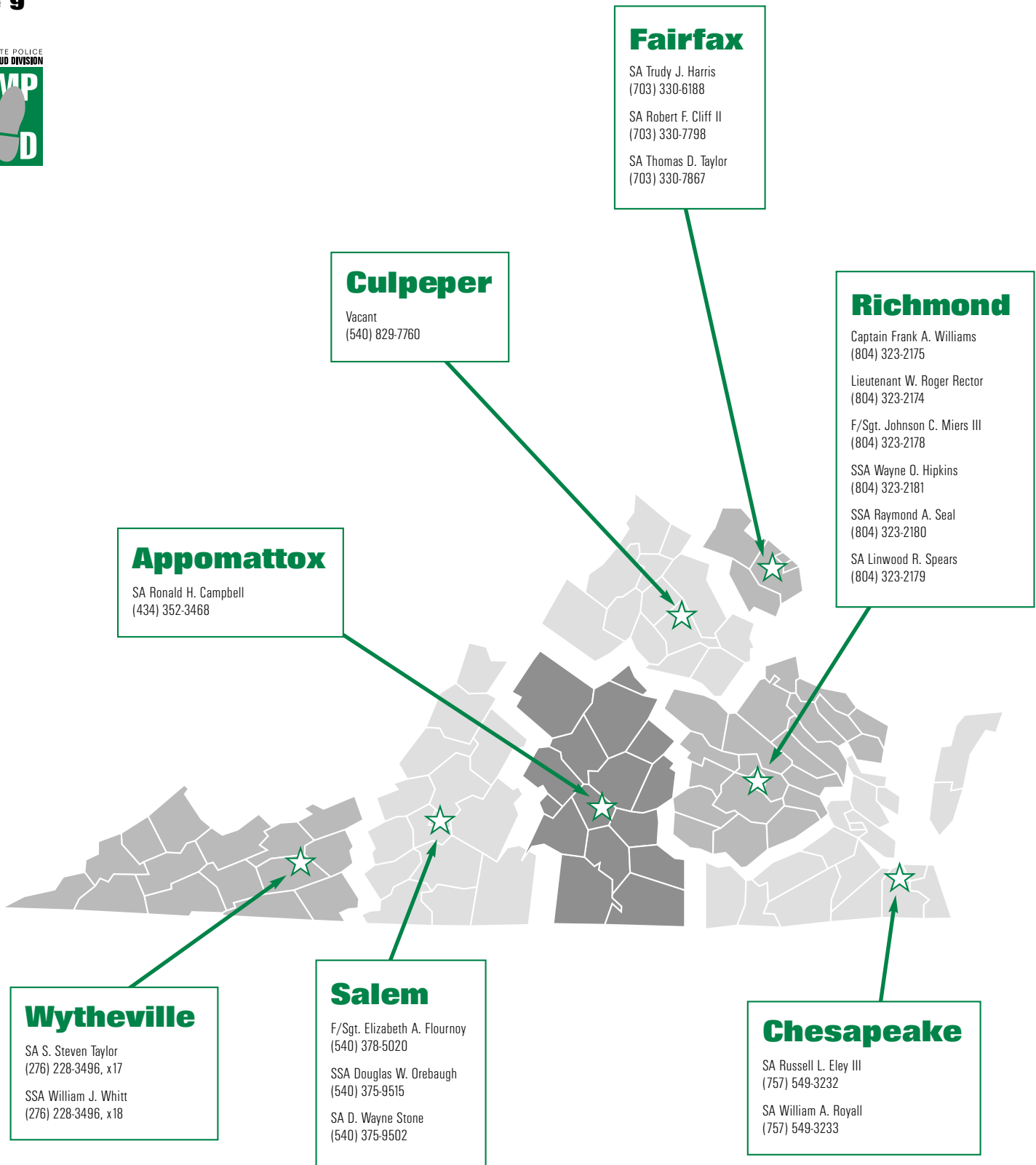
Another repeat offender claimed a bogus hit and run accident at Kings Dominion. When police went to the suspect's home to arrest him they were forced to enter and conduct a search. They found him hiding in the attic. A struggle ensued as the suspect resisted arrest – he crashed through the attic floor to the living room below.



Special Agent Robert F. Cliff II, Fairfax – Bob Cliff, an 18-year veteran with the State Police, was a trooper until 1992, and promoted to sergeant before joining the IFD during 2000. Cliff finds the insurance fraud investigative process challenging: "There are times when it is just downright interesting. You know, you're matching wits with thieves."

Working with federal and local law enforcement, he has investigated a case involving a woman who reaped at least \$50,000 from claims filed using approximately 20 false identities. Her bizarre scheme involved creating scenarios in which fictitious persons are involved in horrible traffic accidents. The victim is flown from the scene of the crash to a fictitious trauma center. The victim is then supposedly maintained indefinitely in a persistent vegetative state. Cliff admitted, "This is a little different from your garden-variety person who tries to inflate the value of the armoire that burned up in the fire."

Cliff has also become involved in an investigation of a major staged accident ring. He observed, "For the most part, these guys constructed a very viable scam. But, greed gets them – too much and too often is probably what happened there." There were prosecutions, and an \$8 million restitution ordered during 2001. He anticipates that future investigations of this type of activity will result in more prosecutions.



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SSA Wayne O. Hipkins
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SSA Raymond A. Seal
(804) 323-2180

SA Linwood R. Spears
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SA Ronald H. Campbell
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SA S. Steven Taylor
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SSA William J. Whitt
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SA D. Wayne Stone
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IFD Goes State-of-the-Art to Solve Underwater Crime

Those individuals who scheme to profit from scuttling a vehicle or other objects will meet a greater challenge from IFD underwater investigation.

The IFD has obtained state-of-the-art underwater search equipment for the Department's Scuba Team. According to Assistant Director Frank Williams, "We needed some equipment in order to search for and recover vehicles that have been disposed of in water. We did not have that capability. This was an area in which we felt we were lacking the resources." The equipment, which includes cameras, sidescan sonar, and recovery air bags will allow the IFD to be proactive in underwater recovery of cars, trucks, boats, and other items.

Investigation often reveals that a vehicle has been intentionally submerged in a quarry, lake or other body of water. Assistant Director Williams recalled a case in which a houseboat was believed to have been scuttled in order to collect insurance. He observed that, with the superior recovery method, a better determination can be made as to whether or not a vehicle has been deliberately sunk.

The recovery air bags are essential in recovering vehicles submerged in bodies of water like quarries. Assistant Director Williams said, "What happens is that, before we had this

recovery system, the diver would have to hook a cable to it and drag it out of the water with a wrecker. That would destroy the vehicle because, in a quarry, you have rocks and boulders that make recovering the vehicle difficult. You lose any evidence that was there. With recovery air bags, you can raise it directly to the surface and over to the shore with minimum damage."

Assistant Director Williams said that searches are often mistakenly conducted in too small an area around the point of entry: "When a vehicle goes in the water it doesn't sink like a rock. Depending on the kind of vehicle and how it is made, it can float for awhile. And then, depending on the wind or the currents, it can travel a long distance. A lot of times, the motor sinks first and the vehicle turns upside down." He added that the difficulty of underwater searches required specialized equipment to meet the challenge.

The use of this equipment will be made available to all law enforcement agencies and the insurance industry, which will greatly enhance the recovery of evidence. In fact, this equipment can be used in a proactive manner to discover items that have been discarded in water with the hope they would never be found. This equipment is a great asset to have available in Virginia.



Case Study

IFD Investigation Leads to Unprecedented Conviction for Workers' Compensation Fraud

A \$1,200 bill submitted for a cadaver proved to be costly for a former state employee.

The former state worker sought reimbursement from the Workers' Compensation Program for the cadaver, which was supposedly purchased for use in a biology class. He regularly submitted bills for classes, materials, mileage, and other expenses incurred while a student.

Injured while on the job, the former state employee was unable to pursue the same occupation. Under Virginia's Workers' Compensation Plan, the insurer had an obligation to finance his training for a new career.

A suspicious caseworker discovered that the former state worker was not even enrolled in a biology class. Her inquiries ultimately led to an IFD investigation.

IFD Special Agent Linwood R. Spears was joined by the U.S. Postal Inspection Service and the U.S. Attorney's Office in

conducting the two-year investigation throughout Virginia and Georgia.

It was discovered that the former state worker, while legitimately receiving computer training, used his newly-learned computer skills to create false invoices for classes in which he was not enrolled and for materials never purchased, such as the cadaver.

From 1995 to 1998, the former state worker received checks for equipment reimbursement, tuition, and mileage for over \$122,000. This amount included an overcharge of almost \$20,000 for the mileage claims. Overall, he allegedly obtained over \$100,000 by false pretenses.

During 2001, this individual was sentenced to 12 months and a day in the federal penitentiary. He was ordered to pay approximately \$86,000 in restitution. This is the first known incident in which a state employee or former state employee has been arrested on a Workers' Compensation complaint, prosecuted, and convicted in a federal court.



Public Awareness Campaign Leaves an Impression

The IFD continues to work with Neathawk Dubuque, an advertising, marketing and public relations firm, on an ongoing public awareness campaign with the following goals:

- Raise the general public's awareness of insurance fraud and its financial impact.
- Inform citizens about ways to prevent insurance fraud.
- Create more widespread public knowledge of the IFD and its purpose.
- Increase familiarity with the toll-free telephone number and web site for reporting fraud.
- Encourage valid calls to the Fraud Hotline.

In meeting these objectives, Neathawk Dubuque has developed educational/promotional materials to inform Virginians about insurance fraud and the IFD and to keep the toll-free telephone number and web site in the public eye. Components of the public awareness campaign include the following:

STAMP OUT FRAUD A simple, but powerful logo with a bold and contemporary look which is applied to all promotional materials.

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

An easy-to-remember toll-free telephone number to report suspected fraud. A growing number of citizens are using the Hotline: the number of calls increased from 23 during 2000, to 140 during 2001.

www.stampoutfraud.com In compliance with the goal to make state government accessible via the Internet, Virginians can also report suspected insurance fraud online at the IFD web site.



Roger Neathawk (far right), chairman/ceo of Neathawk Dubuque, presented assistant director Williams and Colonel Massengill a Communicator Award of Distinction recognizing the high quality of the IFD television spot.

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.

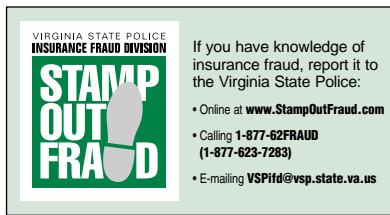
During October 2001, the IFD was featured on a WRIC TV-8 show that featured Virginia State Police operations. On February 24, 2002, the IFD will be spotlighted on "Police Beat," a thirty-minute Comcast cable show dealing with law enforcement topics. The show will provide a general overview of insurance fraud and IFD operations and also explore the insurance industry perspective. The IFD plans a second appearance on "Police Beat" during the fall of 2002.

Annual Reports Published and distributed the 1999 and 2000 reports on the first and second years of IFD operation.



Brochure Continue to distribute; provides excellent overview on all aspects of insurance fraud and the IFD.

Business Cards for State Troopers

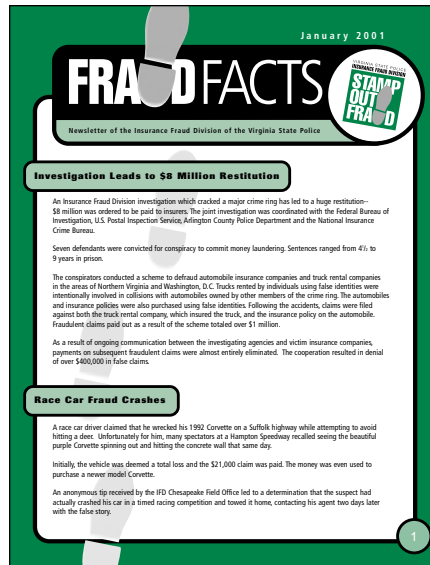


The IFD has developed business cards for the Virginia State Police Troopers. Business cards were not previously provided for the troopers – their only option was to buy their own.

The cards are preprinted with the following IFD information on the back of the card: the “STAMP OUT FRAUD” logo, web site 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. During August 2001, there was a first printing of 400,000 cards.

IFD Newsletter The IFD has begun distribution of its first newsletter, “Fraud Facts.” The January 2002 issue provided an overview of actual insurance fraud cases, an explanation of a Virginia Statute related to insurance fraud, and a legislative update.

IFD Poster The IFD has developed its first poster on insurance fraud. The informative poster provides insurance fraud facts with a touch of humor. A first printing of 1500 posters will be distributed to all local law enforcement agencies and the insurance industry in 2002.



Ongoing Publicity Continue to publicize the IFD with presentations, news conferences, TV and radio appearances, and at special events. Provide media with news stories related to successful investigations and prosecutions. The IFD is also exploring the opportunity to display its logo and insurance fraud facts on public transportation. A follow-up study to the 2000 consumer study will be conducted in the future to determine changes in awareness levels and attitudes about insurance fraud.



Activity Report

January 1, 2001 through December 31, 2001

1. Number of notifications received	1,013
2. Number of notifications sent to unopened case file	589
3. Number of investigations initiated	181
4. Number of notifications referred to other BCI Divisions	19
5. Number of notifications referred to other agencies	18
6. Number of cases involving property fraud	540
A. Motor Vehicle/Auto	339
B. Homeowners	136
C. Commercial	27
D. Other	38
7. Number of cases involving injury/casualty fraud	364
A. Motor Vehicle/Auto	129
B. Homeowners	10
C. Commercial	27
D. Workers Compensation	144
E. Other	54
8. Number of cases of actual fraud (collected)	209
9. Number of cases of attempted fraud	321
10. Total Amount of claimed loss (collected)	2,197,073
11. Total Amount of claimed loss (attempted)	4,452,271
12. Number of cases presented to Commonwealth's Attorneys	79
13. Number of cases adjudicated	91
14. Number of arrests for insurance fraud	85
15. Number of convictions for insurance fraud	48
A. Felonies	28
B. Misdemeanors	20
16. Number of arrests for related offences	33
17. Number of convictions for related offences	21
18. Amount of restitution ordered	7,995,803
19. Number of calls to Fraud Hotline	140
20. Number of training presentations	36
21. Number of personnel trained	1,512



Everyone Can Help

Insurance fraud is a crime, and the Virginia State Police Insurance Fraud Division is working to stamp it out. Here's how you can help:

Be aware of staged accidents, such as intentional sideswiping or cars that cut in front of other vehicles, forcing collisions due to quick stops.

Be aware of individuals that try to get you to leave the scene of an accident without calling police or obtaining a police report.

Be aware of individuals that claim no previous injuries or continue unnecessary medical treatment which inflates medical benefits.

Be aware of fraud rings that specialize in "slip and fall" schemes with fake injuries and faked claims.

Be aware of individuals reporting fake burglary or theft claims.

Be aware that some individuals report damage as vandalism in an attempt to cover deliberate or previous damage to one's own property.

Be aware of individuals making a false stolen vehicle claim to cover previous damage to a vehicle or to dispose of the vehicle.

Be aware of individuals that fake an on-the-job injury or stay off work after healing to collect Workers' Compensation benefits.

Be aware of the possibility that someone may set a small fire in their home to obtain a new paint or remodeling job.

Be aware that individuals may change a genuine claim to inflate the loss to recover past premiums.

Be aware of individuals that inflate genuine claims to cover a policy deductible.

Be aware of attempts to convince you that "everybody is getting rich" so you may as well try to get additional money also.

Action You Can Take

If you suspect you may be the victim or have knowledge of a fraudulent scheme, notify your insurance company and report the activity to the Virginia State Police by calling **1-877-62FRAUD (1-877-623-7283)** or visiting **www.stampoutfraud.com**.