

# Leading the Way



LEADING THE WAY



# Insurance Fraud Program Activity Report

January 1, 2004 through December 31, 2004

1. Number of notifications received	1,385
2. Number of notifications sent to unopened case file	603
3. Number of investigations initiated	278
4. Number of notifications referred to other BCI Divisions	9
5. Number of notifications referred to other agencies	30
6. Number of cases involving property fraud	919
A. Motor Vehicle/Auto	598
B. Homeowners	196
C. Commercial	72
D. Other	53
7. Number of cases involving injury/casualty fraud	508
A. Motor Vehicle/Auto	188
B. Homeowners	26
C. Commercial	31
D. Workers' Compensation	190
E. Other	73
8. Number of cases of actual fraud (collected)	306
9. Number of cases of attempted fraud	572
10. Total Amount of claimed loss (collected)	2,536,693
11. Total Amount of claimed loss (attempted)	5,147,894
12. Number of cases presented to Commonwealth's Attorneys	106
13. Number of cases adjudicated	93
14. Number of arrests for insurance fraud	76
15. Number of convictions for insurance fraud	43
A. Felonies	22
B. Misdemeanors	21
16. Number of arrests for related offenses	22
17. Number of convictions for related offenses	17
18. Amount of restitution ordered	356,058
19. Number of calls to Fraud Hotline	361
20. Number of fraud awareness presentations	21
21. Number of persons contacted	37,810

## Report from the VSP Superintendent and IFP Coordinator

**T**he impact of insurance fraud can be felt on all levels of the Virginia economy. With the exception of tax evasion, no other white-collar crime robs the American economy more than insurance fraud. Not only does insurance fraud raise the premiums of citizens and businesses, insurance fraud also means Virginians pay more for their goods and services, an estimated \$1,000 a year.

“Heading into its seventh year, the Insurance Fraud Program and its dedicated personnel are steadily gaining ground in their mission to combat property and injury fraud in Virginia,” said Colonel W. Steve Flaherty, Virginia State Police Superintendent. “As demonstrated by the program’s numbers, our dedicated Insurance Fraud special agents and analysts are not only concerned with reducing crime, but also protecting the innocent from falling victim to fraudulent scams.”

Over the past six years, the Virginia State Police (VSP) has made great strides in raising the awareness of insurance fraud and its consequences. The establishment of a dedicated program in 1999 has resulted in more than 590 arrests for insurance fraud and other related offenses in just six years. In 2004, the VSP received nearly 1,400 notifications of suspected fraud – more than double the number received when the program began in 1999.

“The continuing success of the Insurance Fraud Program is testimony to the effectiveness of public outreach,” said Colonel Flaherty. “Thanks to the program’s

new ‘eye-catching’ media campaign, Virginians took an active stand against insurance fraud in 2004 with a record 43 percent increase in notifications of suspected fraudulent activity from September to November.”

In addition to a record number of notifications, 2004 also brought reorganization to the VSP and the creation of the Support Services Division (SSD). This division includes the Insurance Fraud and Help Eliminate Auto Theft (H.E.A.T.) support staffs as well as the Counter-Terrorism & Criminal Interdiction (C.C.I.) unit, and Bomb and Arson. Captain Robert L. Tavenner will oversee SSD, and Lieutenant W. Roger Rector will direct the day-to-day operation of what is now the Insurance Fraud Program (IFP). The Insurance Fraud special agents will continue in their current investigative capacities operating out of their field offices. Even though the name has changed, the mission remains the same – to stamp out fraud.



Colonel W. Steven Flaherty  
Superintendent,  
Virginia State Police



Lieutenant W. Roger Rector  
Coordinator,  
Virginia State Police Insurance  
Fraud Program

Governor  
 Mark R. Warner  
 again issued  
 a proclamation  
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 May 9 - 15  
 as "Insurance  
 Fraud Awareness  
 Week."

In their efforts to stamp out fraud, Insurance Fraud agents initiated more than 275 investigations during 2004 and made nearly 100 arrests for insurance fraud and related offenses. In six years, 1,281 fraud investigations have been undertaken, and agents have made 590 arrests.

One-hundred-six cases were presented to the commonwealth's attorneys for prosecution in 2004. In addition to court-ordered restitution surpassing \$10.5 million, false insurance claims reported to IFP since 1999 have reached \$40 million.

The VSP investigate insurance fraud related to property and casualty lines of insurance. Property fraud cases continued to show greatest increase – 24 percent.

The IFP also continues to receive notifications related to Hurricane Isabel in 2003. To date, 96 hurricane notifications have been sent to the IFP. Cases involving injury and casualty fraud increased by 10 percent over 2003.

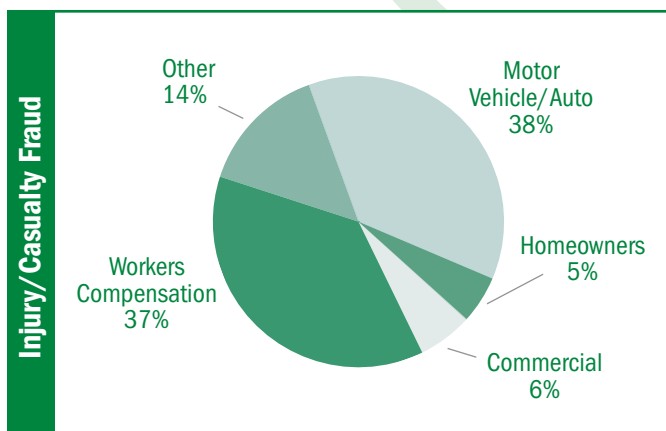
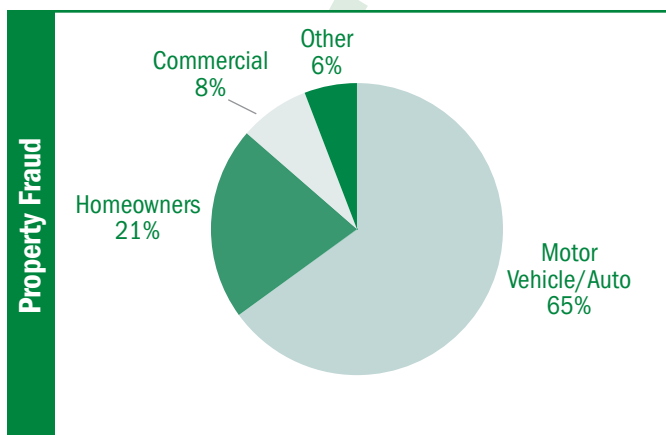
The committee for the IFP \$25,000 reward program held their first meeting in the fall of 2004. As a result of this meeting, the first insurance fraud rewards have been approved and will be awarded in spring 2005. Four rewards will be issued in amounts of \$500 up to \$5,000.

Governor Mark R. Warner again issued a proclamation declaring May 9 – 15 as "Insurance Fraud Awareness Week." The proclamation was presented to Captain Frank Williams by Wade Wickre, president of the Virginia Chapter of the International Association of Special Investigation Units (VAIASIU), to kick off the 12<sup>th</sup> annual VAIASIU Seminar.

The "Sharp Eye" Reward Fund public awareness campaign hit the airwaves in September with new television and radio ads. The "Sharp Eye" reward message was also carried on billboards in the spring and again in the fall to complement the broadcast campaign. Market research is

planned for 2005 to measure the effectiveness of the public awareness campaign and to determine if there is a change in behavior and/or public opinion about insurance fraud.

The IFP would like to take this opportunity to thank everyone who has contributed to our success story including law enforcement, the insurance industry, legislators, commonwealth's attorneys and, most of all, the citizens of Virginia. Working together, we can continue to Stamp Out Fraud in Virginia.





## Insurance Fraud Chief to Scale New Mountains

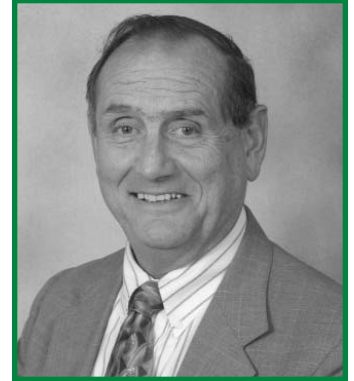
**C**aptain Frank A. Williams Jr., commander of the Insurance Fraud Program since its inception in 1998 and, more recently, director of the newly created Support Services Division, retired after more than 41 years with the Virginia State Police.

Under his leadership, the number of special agents working insurance fraud cases increased from 14 agents in 1999 to 19 agents in 2004, and the number of notifications received since that first year have more than doubled. In addition, insurance fraud arrests since 1999 total more than 590, and over 460 insurance fraud and fraud-related cases have been prosecuted.

Williams was responsible for implementing the “Stamp out Fraud” awareness program, toll-free hotline and [www.stampoutfraud.com](http://www.stampoutfraud.com) Web site. The “Sharp Eye” reward program

for reporting insurance fraud was launched in 2003.

The Virginia Chapter of the International Association of Special Investigation

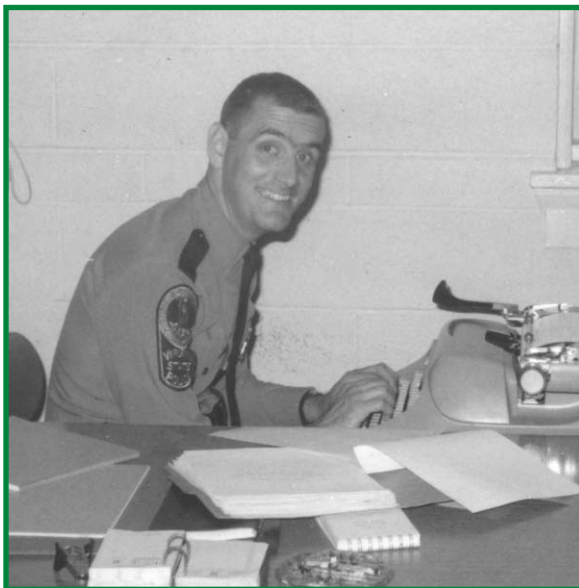


Captain Frank A. Williams Jr.

Units (VAIASIU)

awarded its first Robert J. Covington Distinguished Service Award to Williams in May 2004. When presenting the award, Wade Wickre, VAIASIU president, said, “Under Captain Williams’ leadership, the IFD and Virginia have made significant inroads in the fight against insurance fraud. Captain Williams exemplifies the ideals of the IASIU and fighting insurance fraud.”

Williams came to the IFD from the Criminal Intelligence Division, where he served as Commander from 1996-1998. For about 10 years prior to that, he was the Chief Arson Investigator and senior explosives technician with the General Investigations Division of the Virginia State Police. Williams holds a master’s degree in public administration and a bachelor’s degree in administration of justice, both from VCU.



Williams was responsible for implementing the “Stamp Our Fraud” awareness program.

## The Insurance Fraud Program Stays the Course with New Leadership

“The Insurance Fraud Program has a great team, and I look forward to working with them.”

**P**icking up the fight against insurance fraud is Captain Robert L. Tavenner. In his new position, Tavenner will head up the Support Services Division, which includes the Insurance Fraud and Help Eliminate Auto Theft (H.E.A.T.) programs.

“I’m excited by the challenge leading this new division brings,” said Tavenner. Speaking specifically about insurance fraud, Tavenner remarked that insurance fraud is an insidious crime that affects all Virginians. “However, I believe the department has taken tremendous strides to stamp out fraud in Virginia,” he said. “The Insurance Fraud Program has a great team, and I look forward to working with them.”

During his 25 years with the VSP, Tavenner has been assigned to the Field Operations division, Training division, Narcotics division, White Collar Crime Units, Legal Unit and most recently the department’s Bomb/Arson program. For the last ten years, Tavenner has served as one of the

department’s legislative liaisons to the General Assembly and has been involved in monitoring and drafting legislation. In addition to his career with the VSP, Tavenner has also served as a prosecutor for the city of Petersburg.



Captain Robert L. Tavenner

Tavenner has a B.S. from Virginia Commonwealth University and a J.D. from the University of Richmond. He is also a member of the Virginia Bar and a graduate of the FBI National Academy.



# New Agents Stop Fraudsters in Their Tracks

**J**ust as the Insurance Fraud Program (IFP) is traveling in new directions, some of the insurance fraud agents have found new directions through retirement or new positions with the Virginia State Police (VSP).

The IFP welcomes the following new agents to the “Fraud Squad.”

## Special Agent J. Fred Rowe

Fred Rowe has been with the VSP since October 1996. He was promoted from trooper to insurance fraud special agent in 2004. As a trooper, Rowe worked in the counties of Clarke, Frederick and Warren as well as the cities of Winchester and Front Royal. He received additional training in accident investigation and was on the accident reconstruction team for Division 2 in Culpeper. Rowe has been able to share his background in accident reconstruction with new troopers as an instructor in accident investigation at the Virginia State Police Academy.

Rowe is currently assigned to Division 2 in Culpeper and will be working all the notifications in the Shenandoah Valley region. While attending a recent Virginia chapter meeting of the International Association of Special Investigation Units, Rowe said he was excited to get started in his new position as an insurance fraud agent and looked forward to working in this challenging and interesting field.



## Senior Special Agent Cecil A. Bray

A 26-year veteran with the VSP, Cecil Bray transferred to Insurance Fraud in July 2004. “I felt it was time to change directions and look for new career challenges,” said Bray. “Insurance fraud met the challenge and has kept me busy.” Bray began his career in law enforcement in 1975 as a police officer with the City of Norfolk. He joined the VSP in 1978. Bray patrolled the Hampton Roads region as a trooper for 13 years. He was promoted to Special Agent, Special Investigations Division, Fredericksburg, in 1992. Bray returned to Virginia Beach in 1994 to work as a special agent in the Drug Enforcement Division before moving to insurance fraud. Bray is assigned to Division 5, Chesapeake.



## Special Agent Harvey Spahr

Special Agent Harvey Spahr transferred to the IFP in October 2004, working out of the Salem office, Division 6. "I chose insurance fraud, because it was a specialty unit," said Spahr. I felt it would allow me to focus on specific crimes and become more proficient in those types of investigations." Spahr commented that since his assignment to IFP, he's been assigned numerous cases and has been surprised at how interesting the cases are to work.



Originally from Bristol, Va., Spahr joined the VSP in 1986. His first assignment as new Trooper was in Fairfax, Va. In 1988, Spahr transferred to Montgomery County, his present location. Eight years after transferring to Montgomery County, Spahr was promoted from Trooper to Special Agent and assigned to the Drug Enforcement Division. He's served as coordinator for the New River Regional Drug Task Force for the past seven years.

## Special Agent Pete Rambo

Rambo began his career in law enforcement in Newport News in 1970 as a patrol officer with the city and, later, as a detective. He went to work for the department in 1979. His first assignment as a trooper was in Scott County where he stayed until 1987. Rambo transferred to York County and was promoted to special agent in 1991. While in York County, Rambo was responsible for the coordination of four different drug task forces.



In 2003, he transferred to Fairfax to work with the Arlington County Police Department vice/narcotics unit. After having spent more than ten years in narcotics, Rambo said he was ready to move into another area with VSP. "I had considered requesting transfer to the Insurance Fraud Program several years ago, but knew there was a waiting list," said Rambo. "When a position became available, I jumped on it. I consider myself very fortunate to have landed the job." Rambo can be found working out of Division 7, Fairfax.





# Insurance Fraud Cases Bring Jail Time and Stiff Fines

**T**hese examples of insurance fraud cases that made it into the Virginia courts in 2004 illustrate the types of property and casualty fraud cases investigated by the Virginia State Police. These include falsified and exaggerated claims as well as fraudulent disability and bodily injury claims.

## Arrest for Insurance Fraud Shocks Virginia Woman

One Virginia woman's incredible tale about a portable heater gave her a real shock when she was found guilty of perjury and attempting to defraud an insurance company. As a result, she will have to spend four months in prison.

The suspect claimed that while shopping for a portable heater, she received an electrical shock when she turned on a heater. This supposedly occurred while the sales person was demonstrating the unit. The woman then filed suit against the store and the manufacturer of the heater in the amount of \$3.5 million.

In a sworn deposition, the suspect said that, as a result of the shock, she developed permanent loss of use of her right arm and, that as of January 2001, she had no movement or feeling in her right arm and hand. The woman stated that she was unable to perform any housework and had not been able to drive an automobile for at least four months as a result of her injury. According to her

sworn testimony her right arm was completely dead and would hang limp at her side without her sling. She claimed her total damages were \$84,948.61. Investigation into the claim revealed her having full use of her right hand and arm.

The woman was arrested and charged with Attempting to Obtain Money by False Pretense and with Perjury. She pled guilty to Perjury and Attempting to Obtain Money by False Pretense. On the charge of Attempting to Obtain Money by False Pretense she was sentenced to 10 years in the penitentiary with 10 years suspended. She was sentenced to five years in jail with four years, eight months suspended on the perjury charge.



## Insurance Fraud Case is a Real Jewel

Diamonds are not always a girl's best friend, particularly when insurance fraud is involved. In this case, the diamonds cost a Stafford County woman more than \$8,000 and a month in jail.

According to police reports, a Virginia woman pawned her diamond ring in Stafford County, Va. for \$850 in 2002. The same woman then reported the ring as being lost in 2003 while water skiing. Her insurance company paid out \$8,350 for the lost ring. In order to cash the check, she forged her former husband's name on the check.

After an investigation, the suspect was charged with Obtaining Money by False Pretense and Forgery – both felony crimes – and found guilty of both charges. She was sentenced to three years with two years and eleven months suspended and six years of unsupervised probation on the Obtaining Money by False Pretense charge. On the Forgery charge, she received three years with three years suspended and six years of unsupervised probation as well as \$760 in court costs. She has made full restitution to the insurance company for \$8,350.

## Lack of Insurance Leads to Fraudulent Claim

A Harrisonburg, Va., man found out the hard way the best time to buy full insurance coverage for a vehicle is before a crash – not after. The suspect was arrested for attempted insurance fraud, found guilty and had to shell out more than \$1,100 to cover fines and court costs.

Around 3 a.m. on May 7, 2004, the Harrisonburg man dozed off while driving to work, drifted off the highway and struck a guard rail. He decided not to go to work and returned home. Since the insurance coverage on his vehicle was for liability only and would not pay for the repairs to his car, he contacted his insurance company around 9 a.m. to obtain a quote to add full coverage. He then called back about an hour later to add the coverage. Approximately an hour after gaining full coverage, the suspect called the insurance company back to submit a claim for the damage to his vehicle that resulted from his having fallen asleep while driving.

The suspect was subsequently arrested and charged with Attempting to Obtain Money by False Pretense. He pled guilty, and his fines and court costs totaled \$1,172. He was also sentenced to 60 days in jail, all suspended, and one year unsupervised probation.





### **Falling Ceiling Tile Gives Woman Insurance Fraud Headache**

A Southampton County woman will have to walk the straight and narrow for the next five years or face a sentence of 10 years for attempting to defraud her employer's insurance company. The suspect was found guilty on April 20, 2004 of trying to get money for an on-the-job injury that never occurred.

The woman alleged that a ceiling tile fell and struck her on the head while she was working at a shop in Franklin, Va. She also claimed she was struck by insulation and water that gushed everywhere when the tile fell. A ceiling tile actually fell; however, according to two witnesses the suspect wasn't near the tile when it fell and was not injured. When questioned, the woman admitted she fabricated the story in order to pay her medical bills from an automobile crash that occurred in the early 1990s.

She was found guilty of two felony counts of Attempting to Obtain Money by False Pretense. The woman was sentenced to ten years in prison, suspended for five years based on her successful completion of supervised probation. She was also ordered to pay \$734 in court costs and \$5,175 in restitution to the insurance company.

### **Shenandoah County Woman Arrested For Fraudulent Insurance Claim**

A Shenandoah County resident who attempted to defraud her insurance company in order to pay off a lien against her vehicle ended up getting arrested instead. The suspect was arrested and charged with Attempting to Obtain Money by False Pretense.

The suspect filed a \$2,235 claim with her insurance company stating that her 1998 four-door Plymouth vehicle had been involved in a crash. The insurance company questioned the date of the crash since the claimant had allowed the policy to lapse for approximately four months. Further investigation found that the wrecked vehicle had been parked in the back yard of the suspect's residence for some time. Grass had grown up in the car's grill, and the car was covered with tree sap. It was determined that the woman falsified the date of the crash, which had actually occurred during the time her automobile insurance had lapsed.

The Toms Brook woman was arrested on the charge of Attempting to Obtain Money by False Pretense. She was released on her own recognizance and is awaiting trial in Shenandoah County Circuit Court.

It was determined that the woman falsified the date of the crash.



## Public Awareness Campaign Focuses on Reward Program

**T**he IFP's public awareness efforts in 2004 continued in the direction of the "Sharp Eye" Reward Program. In July, Neathawk Dubuque & Packett, the advertising/public relations agency that developed both the Stamp Out Fraud and Sharp Eye Reward awareness programs, was once again awarded the IFP public relations and advertising contract through the competitive bid process.

In the fall of 2004, the IFP unveiled a new advertising campaign, which featured the signature blinking eye and promoted the \$25,000 reward program. The new television commercials ran from September through November in the Richmond, Tidewater and Roanoke markets. The ads also aired on "The Mountain Empire's Most Wanted" that runs on Fox in Bristol.

In the Washington, DC market, radio was used instead of TV. Listeners heard John Walsh, of WMAL's "America's Most Wanted," telling them to keep their eyes open for insurance fraud – "tipsters may be eligible for a \$25,000 reward."

In conjunction with the television and radio advertising, a three-month-long, statewide billboard campaign also

promoted the insurance fraud reward program. In northern Virginia, displays at strategic Virginia Railway Express stations and Metro locations carried the anti-fraud message. The fall billboard campaign was a follow-up to the billboard campaign that ran spring 2004.

It is significant to note during that three month period – September through November – the total number of notifications received by the IFP from all sources increased by 43 percent over the same time period in 2003.

The traditional elements of the IFP's STAMP OUT FRAUD campaign continue to be used and gain recognition from the public. These include:

A three-month-long statewide billboard campaign promoted the insurance fraud reward program.

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

Rewards for insurance fraud tips | **1-877-62FRAUD**



In 2004, more than 355 citizens, insurance investigators/personnel and law enforcement officers were helped through the IFP toll-free hotline.



### STAMP OUT FRAUD LOGO

Associated with the IFP and its mission, this logo is applied to all promotional materials including brochures, the Web site and news release letterhead.

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

In 2004, more than 355 citizens, insurance investigators/personnel and law enforcement officers were helped through the IFP toll-free, hotline. This is almost a 12 percent increase over 2003.

### WWW.STAMPOUTFRAUD.COM

Suspected insurance fraud can also be reported online at the IFP Web site. More than 600 notifications were received from the Web site in 2004. This represents a 50 percent increase over the previous year, which indicates the growing use by the public of the Internet as a source of information. The IFP reward application was added to the Web site and can now be downloaded. The Web site also provides

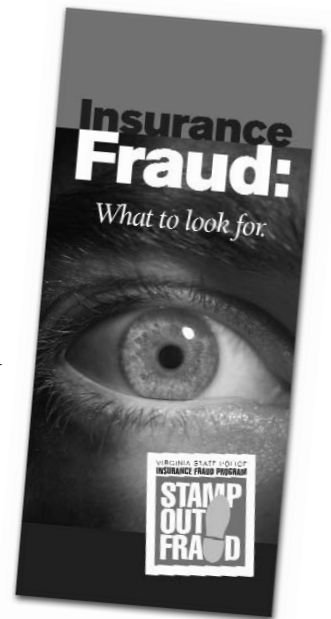
an overview of insurance fraud and its implications and is updated regularly with case histories. Law enforcement and

insurance professionals can order IFP brochures, posters and law enforcement guides online. The Web address is included on all of IFP's promotional and media-related materials.

### BROCHURES

Brochures continue to be distributed to law enforcement, the insurance industry, and Virginia citizens. The three-paneled brochure was updated in 2004 to include information about the IFP reward program. A Spanish language version of the brochure was also

made available this year. In addition to information about the reward program, the Stamp Out Fraud brochure provides a comprehensive overview of insurance fraud and the IFP.



### IFP NEWSLETTER

IFP continues to produce its biannual newsletter, "Fraud Facts." The publication features IFP-related issues and case histories.

### INSURANCE FRAUD AWARENESS WEEK

Governor Mark R. Warner again issued a proclamation declaring May 9-15, 2004, as Insurance Fraud Awareness Week. The event was also supported with statewide news releases and public relations efforts. In 2005, Insurance Fraud Awareness Week will be held May 8-14 to coincide with the VAIASIU training seminar.





### **PRINT AND BROADCAST MEDIA COVERAGE**

During 2005, the IFP distributed 19 news releases to in-state media as well as trade media. Topics included Insurance Fraud Awareness Week, the IFP's new advertising campaign and insurance fraud cases.

WAVY TV's "10 on Your Side" received the IFP's media award in recognition of their support of insurance fraud related to Hurricane Isabel. Anchor Shannon Powell and producer Kelly Welsh received the media award during the Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) Fraud Seminar in Richmond. WAVY-TV and "10 On Your Side" have continued to promote insurance fraud awareness and will be airing additional fraud awareness news segments.

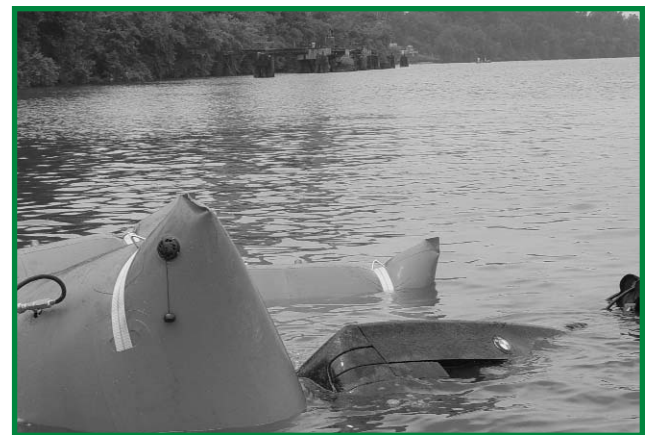
WAVY-TV, the NBC affiliate in Hampton Roads, along with Richmond area media were notified of the VSP's dive team's attempt to retrieve a submerged auto in the James River. Television news crews from the NBC, ABC, CBS Richmond affiliates as well as WAVY-TV spent the better part of the day videotaping and interviewing the dive team. As a result, both the IFP and VSP received nine news spots on four television stations in the Richmond area

and one in Hampton Roads, for a total public relations value of \$39,000. The dive was the lead story for the 6p.m. news on three Richmond stations and the subject of an in-depth story on WAVY-TV.

WWBT's "12 on Your Side" in Richmond, also did an insurance fraud feature, and several radio interviews were conducted during the year.

### **EXHIBITS**

IFP had the opportunity to promote insurance fraud awareness and the reward program at several public venues. These included the State Fair of Virginia with an attendance of more than 200,000 and the Virginia Farm Bureau Annual Meeting where approximately 1,000 attendees received anti-fraud information.



# Department of State Police Insurance Fraud Investigation Unit Financial Status Report

January – December 2004

Balance	January 1, 2004	\$ 5,237,254.21
Revenue:		
	SCC-Rec'd July 2004	\$ 4,489,126.22
	Total Revenue:	\$ 4,489,126.22
		\$ 9,726,380.43
Disbursements:		
	<b>Personnel Services</b> (Salaries & Fringes)	<b>\$2,397,032.91</b>
	<b>Contractual Services</b> (Postage, Telecommunications, Vehicle Repairs, Travel)	<b>501,174.49</b>
	<b>Supplies &amp; Materials</b> (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies)	<b>35,092.28</b>
	<b>Continuous Charges</b> (Insurances, Office Rent)	<b>185,684.10</b>
	<b>Equipment</b> (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment)	<b>490,794.89</b>
	<b>Central Approp Cash Reversion</b>	<b>6,380.00</b>
	Total Disbursements:	\$ 3,616,158.67
Balance	December 31, 2004	\$ 6,110,221.76

Virginia State Police  
Bureau of Criminal Investigation

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**I-877-62FRAUD(37283)**

[www.stampoutfraud.com](http://www.stampoutfraud.com)

