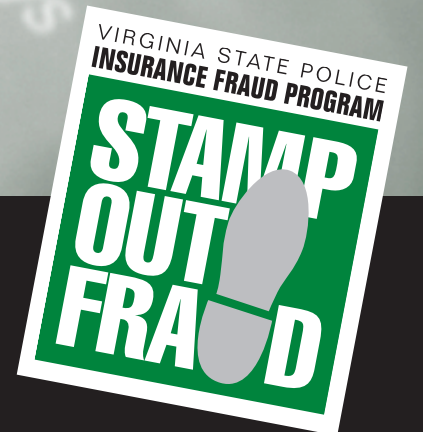


**Virginia State Police
Insurance Fraud Program**

COOPERATION

2006 | ANNUAL REPORT



Insurance Fraud Program Activity Report

January 01, 2006 through December 31, 2006

1. Number of notifications received	1,895	10. Total Amount of claimed loss (collected)	\$3,463,133
2. Number of notifications sent to unopened case file	1,201	11. Total Amount of claimed loss (attempted)	\$8,350,467
3. Number of investigations initiated	368	12. Number of cases presented to Commonwealth's Attorneys	119
4. Number of notifications referred to other BCI Divisions	20	13. Number of cases adjudicated	333
5. Number of notifications referred to other agencies	48	14. Number of arrests for insurance fraud	88
6. Number of cases involving property fraud	1,145	15. Number of convictions for insurance fraud	80
A. Motor Vehicle/Auto	824	A. Felonies	57
B. Homeowners	211	B. Misdemeanors	16
C. Commercial	53	16. Number of arrests for related offenses	112
D. Other	57	17. Number of convictions for related offenses	71
7. Number of cases involving injury/casualty fraud	690	18. Amount of restitution ordered	\$503,449
A. Motor Vehicle/Auto	284	19. Number of calls to Fraud Hotline	373
B. Homeowners	42	20. Number of fraud awareness presentations	33
C. Commercial	47	21. Number of persons contacted	16,185
D. Workers' Compensation	248		
E. Other	69		
8. Number of cases of actual fraud (collected)	355		
9. Number of cases of attempted fraud	755		

Report from the VSP Superintendent and IFP Coordinator

Cooperation and partnerships were the hallmarks of the 2006 Virginia State Police (VSP) Insurance Fraud Program (IFP). Developing and maintaining close relationships with local, state, and federal law enforcement and judicial agencies in the Commonwealth means more criminals brought to justice on both state and federal levels.

Since the establishment of the Insurance Fraud Program in 1999, convictions for insurance fraud and related offenses have climbed steadily, reaching 592 total convictions. In 2006, there were 151 convictions for insurance fraud and related crimes, which represents

a 74 percent increase over 2005 convictions. Along with convictions, the notifications received by the IFP continue to rise – from 1,638 in 2005 to 1,895 in 2006, a 15.7 percent increase.

“Convictions for insurance fraud are at a record-breaking level, reflecting the hard work and spirit of cooperation between the VSP and law enforcement agencies across the commonwealth,” said Colonel W. Steven Flaherty, Virginia State Police Superintendent. “The Department’s Insurance Fraud Program, special agents and analysts are to be commended for their efforts in fighting this crime that affects all Virginia households and for bringing criminals to justice.”

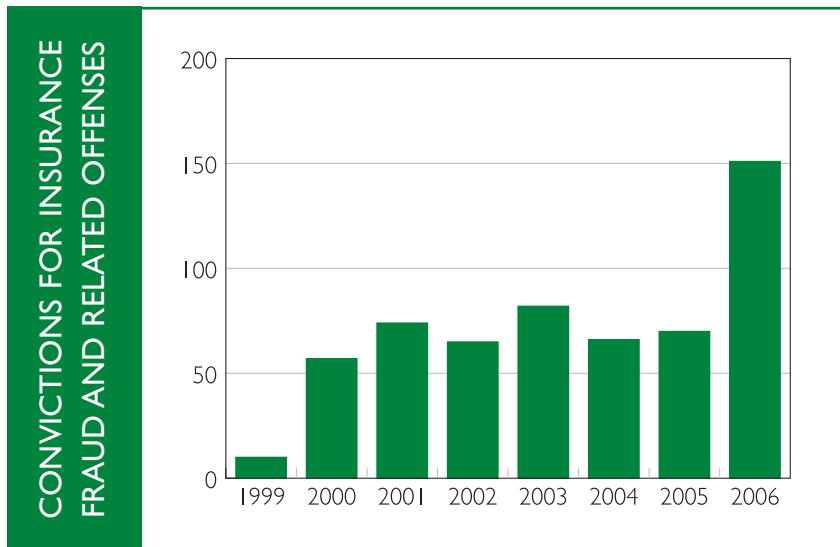
IFP special agents presented 119 cases to commonwealth’s attorneys in 2006, which is a 37 percent increase over 2005. The number of cases adjudicated also saw a substantial increase from 108 cases in 2005 to 333 cases in 2006. This increase may reflect the record number of arrests made by insurance fraud special agents in 2005. While total convictions



Colonel W. Steven Flaherty
Superintendent
Virginia State Police



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



for 2006 were up, arrests for insurance fraud and related offenses experienced a slight decrease from figures reported for 2005.

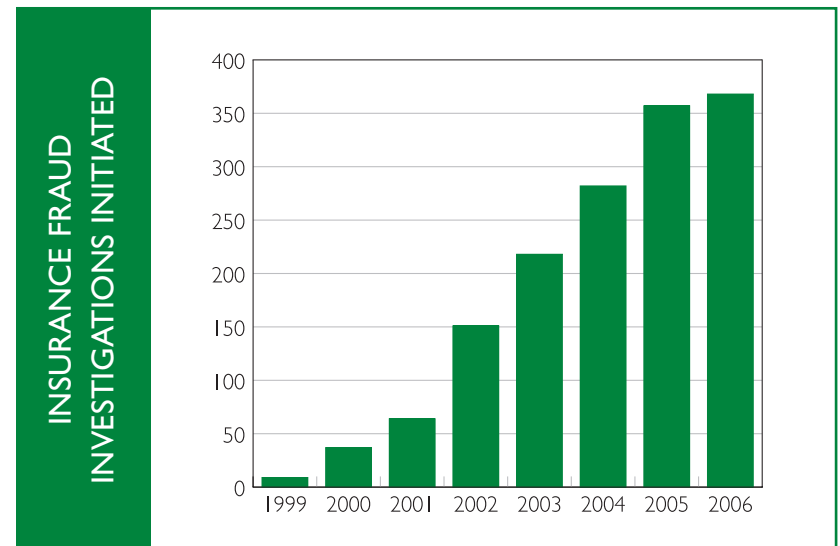
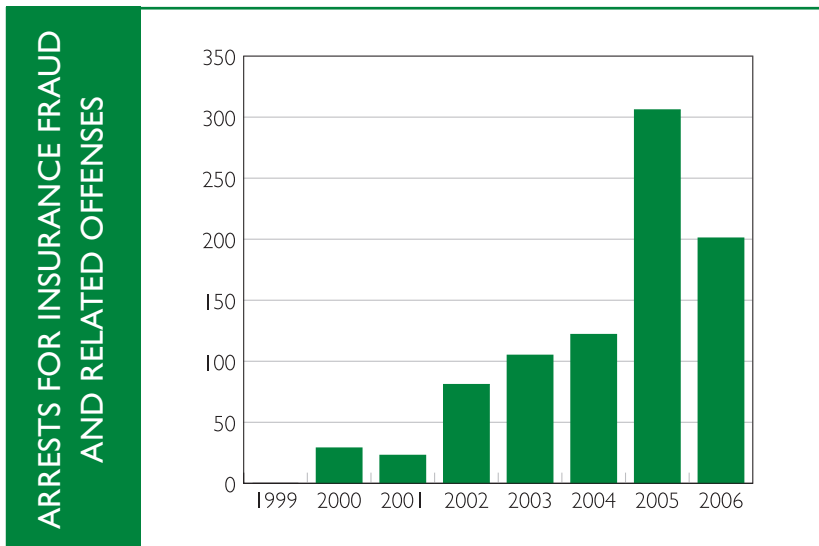
“Even though the number of total arrests in 2006 dropped to 200, this is still the second highest number of arrests in any given year since the program began,” explained Lieutenant W. Roger Rector, IFP Coordinator. “It’s also important to note the record number of convictions in 2006 follow a year with an exceptional number of arrests.”

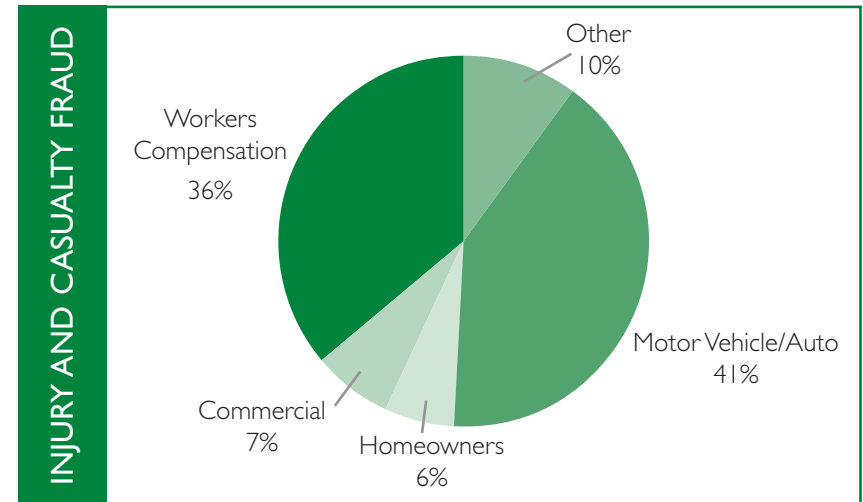
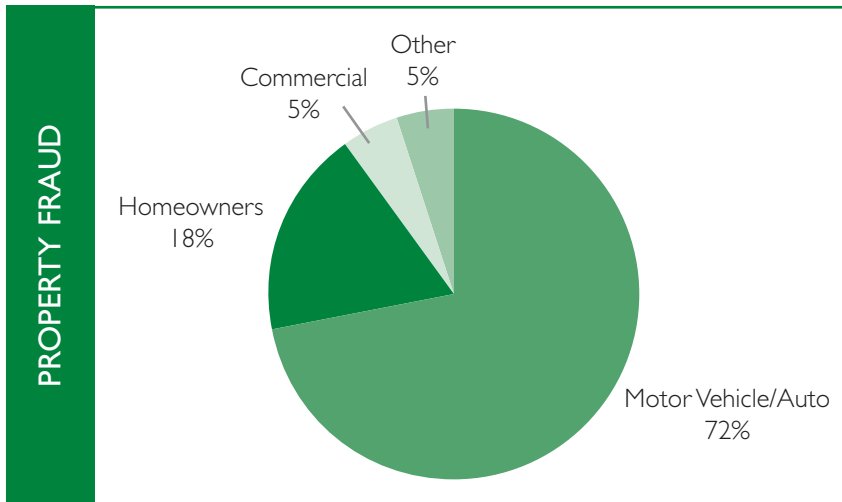
The VSP investigates insurance fraud related to property and casualty lines of insurance. While fewer injury and casualty cases are investigated by the IFP special agents, those cases showed the

greatest increase in 2006 – up by almost 18.4 percent. Of the five categories of casualty fraud that are tracked, 36 percent are workers’ compensation cases. Property fraud cases were up by more than 8.2 percent with motor vehicle and auto insurance fraud comprising the largest part of those cases – 72 percent.

Lt. Rector said that in addition to working with other law enforcement agencies, the IFP’s efforts in 2006 to stamp out fraud include partnering with other programs within the VSP.

“Over the past year, the IFP has been able to provide training for insurance fraud agents and auto theft as well as bomb and arson special agents,” commented Lt. Rector. “We have also been able





to assist Help Eliminate Auto Theft with their bait car and license plate scanner programs.”

The past year saw the IFP, local and federal law enforcement agencies, as well as commonwealth’s attorneys and attorneys general combining forces to arrest and prosecute insurance fraud suspects.

One notable case that demonstrates how law enforcement agencies, working together, can make a difference is the Scott family case, which was a multi-state ring with ties to Southwest Virginia. As a result of the VSP working with the Bureau of Alcohol, Tobacco and Firearms (ATF) and Lee County law enforcement, fourteen individuals were convicted of a variety of

charges ranging from insurance fraud to arson to prescription fraud and received sentences spanning from 10 to 175 months.

The IFP continues with its public awareness campaign, promoting the Sharp Eye Reward, through television advertising and billboards. The Sharp Eye Reward message was also displayed on the new 2006 Ford Expedition, which can be seen on Virginia’s roadways and at special events.

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 Reward Update

The Sharp Eye Reward Program paid out its largest reward to date in 2006 – \$10,000. Applications for rewards are received by SSD and submitted to the Reward Committee, which in turn determines if the application justifies a reward and the amount.

The Reward Fund Committee determines the amount of the reward based on the following criteria:

- The importance of the information
- The nature of the crime
- The risk to the source
- The importance of the witness

Only property and casualty lines of insurance 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 Committee is comprised of 12 members from the VSP, the insurance industry, local law enforcement. A complete list of Committee members is below. The final determination on the Sharp Eye Reward is made by the VSP Superintendent.

DEPARTMENT OF STATE POLICE

Captain Robert L. Tavenner, Chairman
Assistant Director
Bureau of Criminal Investigation
Support Services Division

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

Ms. Sara N. Poole
Legal Specialist
Virginia State Police



INSURANCE INDUSTRY

Mr. James M. Wozniak
Team Manager
State Farm Insurance Company

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

Mr. Larry R. Mellina, Jr.
Special Investigation Unit
Sentry Insurance

VA CHAPTER INTERNATIONAL ASSOCIATION OF SPECIAL INVESTIGATION UNITS

Mr. Jerry W. Altieri (President, VA IASIU)
Special Investigations Unit Manager, Virginia Operations
Nationwide Insurance

COMMONWEALTH'S ATTORNEYS

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

VIRGINIA ASSOCIATION OF CHIEFS OF POLICE

Chief Richard C. Clark, Jr.
Galax Police Department

VIRGINIA SHERIFFS' ASSOCIATION

Sheriff Charles Jett
Stafford County

BUREAU OF INSURANCE

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

COALITION AGAINST INSURANCE FRAUD

Mr. Dennis Jay
Executive Director
Coalition Against Insurance Fraud



Outstanding Fraud Fighters Receive Awards in Virginia

The IFP recognized ten Virginia “Fraud Fighters” during the 2006 Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) Annual Fraud Seminar. The Fraud Fighters Award was established in 2005 by the IFP to recognize those individuals who set the standard for fighting insurance fraud in Virginia. This year’s recipients exemplify the cooperation between state, federal and local law enforcement agencies, the insurance industry and commonwealth’s attorneys.

The awards were based on the nominees’ contributions to the Virginia insurance industry anti-fraud efforts, which included their involvement and contribution to investigations; prevention and pro-active activities; enforcement; interaction with the

insurance community; and financial impact by recoveries and restitution resulting from their fraud-fighting efforts.

THE RECIPIENTS OF THE 2006 FRAUD FIGHTERS AWARD WERE:

Jerry Altieri, an SIU manager with Nationwide Insurance. Altieri has contributed to the insurance industry and law enforcement through his efforts in providing anti-fraud training. Currently the president of the Virginia Chapter of the International Association of Special Investigation Units (VAIASIU), he has also served as vice president and previously acted as chairman of the VAIASIU Seminar from 2003 to 2005. Through his volunteer service in

Fraud Fighters Awards were presented by Captain Robert Tavenner (second from left) and Lieutenant Roger Rector (far right), both with the Virginia State Police, to (left to right): Senior Special Agent Roy H. “Pete” Rambo, Virginia State Police; Diana Wheeler, Orange County Commonwealth’s Attorney; Special Agent Dennis Dodson, Virginia State Police; Jeremy Barnes, Federal Bureau of Investigation; Alan Salsbury, Assistant United States Attorney, Eastern District of Virginia; Jerry Altieri, Nationwide Insurance; Sean Morgan, Loudoun County Assistant Commonwealth’s Attorney; Darlene Greeny, State Farm Insurance; Senior Trooper Edward Woliver, Virginia State Police; and Lieutenant Fred Rouse, Lee County Sheriff’s Office.



these positions, he increased insurance fraud awareness among insurance industry personnel, SIUs and law enforcement officers who participated in the training sessions, including 250 to 275 seminar participants and 75 to 100 chapter meeting attendees. As vice president of VAIASIU, he set up training for chapter meetings, and as a former seminar chairman Altieri coordinated a two-day seminar training event each year. In 2005, Altieri worked with the VSP Auto Theft Unit to establish a working meeting in the Roanoke area, again providing regular training and leading the networking effort among insurance industry personnel, law enforcement and fire investigators. As manager of the SIU of Nationwide Insurance, he is based in Roanoke and remains responsible for a statewide team of special investigators.

Jeremy V. Barnes, special agent with the Federal Bureau of Investigation in Chesapeake. Barnes has actively fought insurance fraud in the Hampton Roads area since October 2004. His determined work ethic and investigative skills make him an effective fraud fighter. Barnes' joint investigation conducted by the IFP and FBI led to the arrest of 11 individuals who were convicted of health care fraud for participating in staged automobile accidents. Another joint investigation led to the arrest of a man for 12 counts of identity theft, all initiated from an act of insurance fraud. Currently, Barnes and Chesapeake insurance fraud agents are pursuing other organized insurance fraud rings in the Hampton Roads area. Special Agent Barnes fosters an attitude of cooperation that produces results between the VSP and the FBI, Norfolk Field Office.

Dennis Dodson, special agent with the VSP Insurance Fraud Program in Culpeper. Dodson initiated a criminal investigation into a possible insurance fraud case. Through extensive investigation that totaled 234 hours, he determined that two individuals defrauded AFLAC Insurance Company out of more than \$50,000. Dodson served seven search warrants on seven different medical facilities to bring the case to logical conclusion. As a result, two individuals were brought to justice for 66 criminal charges, including 52 felonies and 14 misdemeanors.

Darlene Greeny, SIU team manager with State Farm Insurance. Greeny has worked in claim management – SIU from 1994 till her retirement in 2006. Working out of the Charlottesville and Fairfax offices, her role was to supervise claim specialists in organized claim activity and fire, property and casualty losses. Greeny is a Certified Insurance Fraud Investigator and a member of the Society of Chartered Property Casualty Underwriters, International Association of Arson Investigators and the International Association of Special Investigation Units. Since 1986, she has participated in and conducted numerous training classes, schools and programs. Her work has been recognized by the FBI and the National Insurance Crime Bureau. Greeny also was instrumental in lobbying for the creation of the VSP Insurance Fraud Program in 1999 and led efforts with respect to staged accident rings in northern Virginia, Washington, D.C. and Maryland.

Sean P. Morgan, assistant commonwealth's attorney for Loudoun County. Morgan was involved in a prosecution for an alleged theft of \$1.2 million worth of collectible German military memorabilia from World War II. Investigation by the Loudoun County Sheriff's Office revealed that burglary was an unlikely scenario, for the defendant, his wife and three dogs were home at the time of the reported theft; he had an alarm system (though reportedly not armed); there were no visible signs of forced entry; he had attempted to sell his entire collection during the previous year; and he had doubled his insurance coverage limits within six weeks prior to the alleged theft. While the defense made overtures for jury sympathy, based on the fact that the defendant was a double amputee, who used a wheelchair. Morgan worked diligently and meticulously to close any loop-holes and to ensure justice. Following a three-day jury trial, the defendant was sentenced to 18 months in prison, fined a total of \$5,000, and ordered to pay more than \$5,000 in costs and almost \$60,000 in restitution to Pacific Insurance Company.

Roy H. "Pete" Rambo, senior special agent with the VSP Insurance Fraud Program. Rambo has worked tirelessly on anti-fraud efforts in northern Virginia. Rambo was assigned more than 80 insurance fraud notifications in 2005, from which he initiated more than 30 criminal investigations and closed 15 cases by arrest. Rambo's outstanding working relationship with the insurance community has led to financial impact contributions exceeding \$447,000 for recoveries and

restitution. In addition to his investigative duties, he also participated in a variety of anti-fraud public awareness programs.

Lt. Fred Rouse, Lee County Sheriff's Department. Lt. Rouse initiated a two-year investigation involving a family from Ewing, Va. who led tent-based evangelical services. By partnering with the VSP and the ATF, Rouse and an investigative team proved that family members were responsible for almost 100 multi-state crimes, including 70 insurance fraud crimes, frequent identify theft, credit card and bank fraud, narcotics distribution, and numerous arsons and firearm violations. The tenacious work of Rouse and his colleagues led to the arrest and conviction of 14 people for numerous crimes. The U.S. District Court ordered family members to pay more than \$300,000 in restitution to the defrauded insurance companies and to serve prison sentences ranging from 10 months to 175 months.

Alan Salsbury, assistant U.S. attorney, the U.S. Attorney's Office, Eastern District of Virginia. Salsbury successfully prosecuted 11 individuals who were tried separately and ultimately convicted of health care fraud for participating in more than a dozen staged automobile accidents. The arrests were the result of a joint insurance fraud investigation conducted by the agents of the IFP and the FBI. Salsbury was knowledgeable of the particulars of the multi-faceted investigation, which involved separate trials and sentencing hearings. He secured sentences ranging from probation to 15 months in federal prison and full restitution to the affected insurance companies.

The Fraud Fighters Award was established in 2005

by the IFP to recognize those individuals who set the standard for fighting insurance fraud in Virginia.



Diana H. Wheeler, commonwealth's attorney for Orange County. Wheeler worked diligently with a VSP special agent regarding fraudulent insurance claims by two women employed in the Town of Orange. During a three-year time period, the women filed a total of 100 individual claims with a supplemental disability insurance company, which resulted in their receiving \$69,302. They filed medical claims for doctor visits related to their and others' non-existent medical problems; filed disability claims while working for income; and forged the signatures of their doctor and employer. After reviewing the case at length, Wheeler decided to indict the women on a total of 51 felony and 14 misdemeanor charges for obtaining money by false pretense, forgery and money laundering. All indictments were presented to the Orange County Jury in November 2005. Both women ultimately pled guilty in Orange Circuit Court and were ordered to pay a combined restitution of more than \$66,000 to the insurance

company. They also received suspended prison sentences with supervised probation that ranged from five to 15 years.

Edward "Arch" Woliver, senior trooper with the VSP in Wise County. Trooper Woliver relentlessly worked on three separate insurance claims submitted by a family in Lee County. Through investigative cooperation, Woliver helped GEICO deny the first fraudulent theft claim, saving the insurance company approximately \$10,000. The second claim for theft had already been paid, but GEICO successfully obtained a restitution order for more than \$11,000. The third claim, which included two bodily injury claims involving the boyfriend of the insured's daughter and his uncle, resulted in payment denial and an additional savings of approximately \$27,000 for GEICO. Woliver's work on these cases resulted in numerous arrests and convictions and more than \$48,000 in savings and recovery for the insurance industry.

Amended Insurance Fraud Statute Creates Venue

Eight years ago, the General Assembly passed legislation to create the Insurance Fraud Unit in the Virginia State Police; however, the Virginia Code under which insurance fraud is prosecuted has remained the same. As a result of ongoing efforts to create a specific law for prosecuting the crime of insurance fraud, the current law under which insurance fraud is prosecuted – Code 18.12-178 Obtaining money or signature, etc., by false pretense – was amended by the General Assembly in 2006.

The amended code establishes venue for prosecuting the crime of obtaining money by false pretense. This means that for crimes committed after July 1, 2006, the person charged with obtaining money by false pretense can be tried in one of two places – the jurisdiction in which the person lived when the crime was committed or in the jurisdiction where the crime was actually committed.

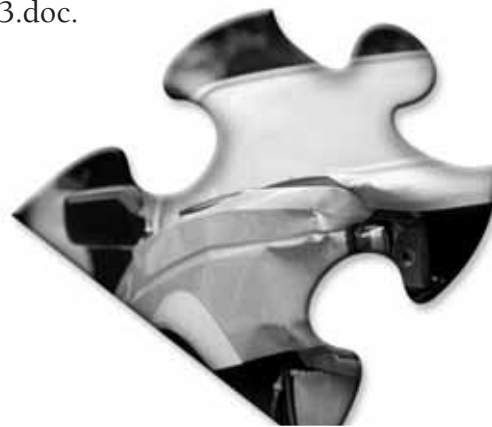
The amended statute in its entirety follows. A complete list of the laws pertaining to the crime of insurance fraud can be found at <http://www.stampoutfraud.com/pdfs/ifdlegis 03.doc>.

§ 18.2-178. Obtaining money or signature, etc., by false pretense.

A. If any person obtain, by any false pretense or token, from any person, with intent to defraud, money, a gift certificate or other property that may be the subject of larceny, he shall be deemed guilty of larceny thereof; or if he obtain, by any false pretense or token, with such intent, the signature of any person to a writing, the false making whereof would be forgery, he shall be guilty of a Class 4 felony.

B. Venue for the trial of any person charged with an offense under this section may be in the county or city in which (i) any act was performed in furtherance of the offense, or (ii) the person charged with the offense resided at the time of the offense.

(Code 1950, § 18.1-118; 1960, c. 358; 1975, cc. 14, 15; 2001, c. 131; 2006, c. 321.)



VSP Special Agents Receive Public Service Award

Insurance fraud special agents Russell L. Eley III and William “Tony” Royall were recent recipients of the Eastern District of Virginia U.S. Attorney’s Office Public Service Award.

The agents received the awards for their efforts in breaking up a staged accident ring. Five insurance companies paid out in excess of \$67,000 for fraudulent claims. As a result of the hard work of special agents Eley and Royall, eleven individuals were convicted for conspiring to stage automobile accidents and file fraudulent personal injury claims.

“The challenge,” said U.S. Attorney Chuck Rosenberg, “was to prove the claimed accidents didn’t occur. These agents shut down an ongoing staged accident ring.”

The VSP special agents worked closed with FBI Special Agent Jeremy V. Barnes who received a Public Service Award as well. Assistant U.S. Attorney Alan M. Salsbury prosecuted the cases.

The awards were presented during a special ceremony at the U.S. Attorney’s Office in Norfolk on July 24, 2006.



From left to right,
U.S. Attorney Chuck Rosenberg,
Special Agent William Royall,
Special Agent Russ Eley,
Assistant U.S. Attorney Alan Salsbury.

Teamwork Raises Insurance Fraud Awareness

Partnering with other VSP programs, insurance companies and local law enforcement to increase public awareness of the crime of insurance fraud kept the PR staff on the road this year. And traveling Virginia's highways in the 2006 Sharp Eye Ford Expedition to events and presentations added another level to "Stamp Out Fraud" awareness.

The IFP revamped the original "Antique Furniture" television spot to include the \$25,000 reward program. The television commercials ran on network and cable outlets during prime time

news in Richmond, Roanoke, Tidewater and Tri-Cities from February through May and September through November.

To round out the statewide advertising effort, a new billboard campaign was launched in Northern Virginia. They could be seen in both Spanish and English on the Virginia Railway Express and the Metro.

The traditional elements of the IFP's "Stamp Out Fraud" campaign continue to be used and gain recognition from the public. These include the "Stamp Out Fraud" Logo, which has become the brand for the VSP Insurance Fraud Program, the toll-free hotline and the Web site.

In 2006, more than 370 citizens, insurance investigators and law enforcement officers called the IFP toll-free hotline, 1-877-62FRAUD (1-877-623-728.) This is a six percent decrease from the previous year; however, the number of notifications received by the IFP through the Web site, www.StampOutFraud.com saw a 14 percent increase. More than 1,000 notifications of suspected fraud were received via the Internet. The Web site also provides an overview of insurance fraud and its implications. It's updated regularly with case histories. Brochures, posters and other public awareness materials can be ordered online.



The headline on the English version of this outdoor board reads "Reward: Earn up to \$25,000 for tips on Insurance Fraud."

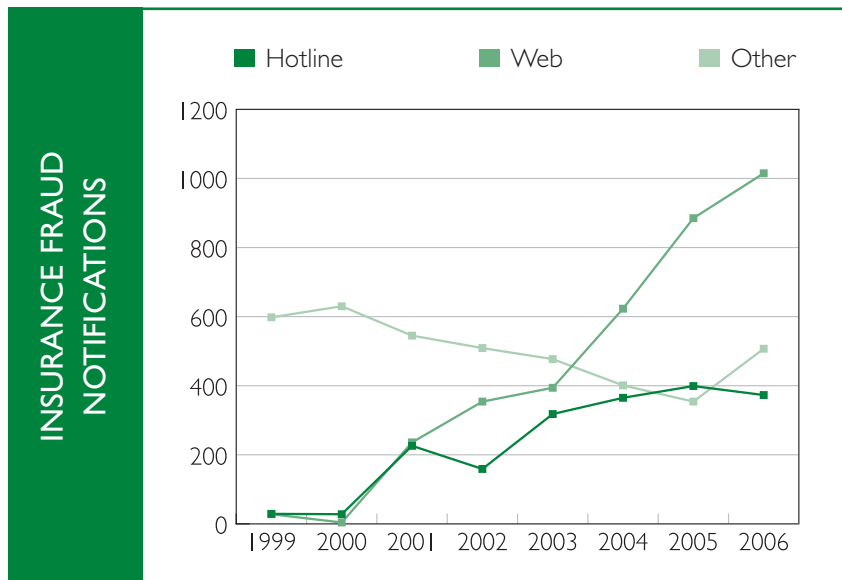
Other public awareness materials include brochures, printed in both English and Spanish, which provide a comprehensive overview of insurance fraud, the IFP and information about the Sharp Eye Reward Program, and the IFP newsletter, “Fraud Facts,” which is published twice a year.

In 2006 a special emphasis was put on Insurance Fraud Awareness Week, which ran from May 7-13. As a result, the IFP was featured on numerous broadcast outlets including Call 12 on NBC-12, Comcast Cable Network, WTVR news and WRVA radio in Richmond, Barbara Berlin’s “Perspective”, which airs on PBS in Richmond, WFVA in Fredericksburg, the “Don Kroah Show” and WJLR-TV in Northern Virginia.

For the first time the IFP purchased an advertorial in the *Richmond Times-Dispatch* and the *Examiner* in Northern Virginia. The publication was timed to coincide with Insurance Fraud Awareness Week and the announcement of the Fraud Fighter Awards. Governor Mark R. Warner issued an insurance fraud proclamation that was presented during the Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) annual training seminar. Governor Mark R. Warner again issued a proclamation declaring May 7-13, 2006, as Insurance Fraud Awareness Week.

During 2006 the IFP distributed 11 news releases to in-state media as well as trade media. Topics included Insurance Fraud Awareness Week, a general Fraud Fighters Award release as well as releases targeting the recipients’ local press, the new television ads, insurance fraud cases, summer travel and holiday safety tips.

As a result of the partnership with other agencies and VSP programs, the IFP had a banner year participating in special events and presentations. The IFP displayed at several Help Eliminate Auto Theft (H.E.A.T.) VIN etchings. IFP also set up a display with H.E.A.T. at the Tazewell County Air Show, Richlands Public Safety Day and a GEICO insurance fraud awareness event. IFP also exhibited at the City Health Fair in Danville, Virginia Farm Bureau Annual Meeting, Halifax Safety Day, and two National Night Out events. Presentations were made to senior groups, a school-age group, Fire Programs and an Insurance Fraud Class at the Northern Virginia Regional Police Academy.



Insurance Fraud Cases

Virginia Man's Phony Receipts Lead to Real Insurance Fraud Conviction

It's always a good idea to hold on to receipts for major purchases in case those items are lost, stolen or destroyed, but make sure those receipts are valid before you file an insurance claim. An Appomattox man who filed a claim to replace possessions lost in a fire, found himself on the wrong side of the law when a Virginia State Police (VSP) insurance fraud investigation determined the receipts were fraudulent. After a suspicious fire destroyed his metal building and its contents, the Appomattox man filed a claim with his insurance company.

Notified by the insurance company that the man's receipts might be bogus, a VSP Special Agent's investigation uncovered more than \$10,000 in receipts from a service station for items that were never purchased; a furniture store receipt for more than \$3,500 that was not an actual receipt but a customer worksheet; and an altered \$1,300 receipt that was originally \$300.

The fraudster was convicted of Grand Larceny in Appomattox County Circuit Court. He pleaded guilty to Obtaining Money by False Pretense and as a result of a plea agreement was given a 10-year suspended sentence with three years active probation. He was also ordered to pay \$14,000 in restitution to the insurance company and must submit to random drug testing.

Bad Timing Results in Insurance Fraud Conviction

Some people just need to learn how to use a calendar. That's what a Virginia man found out when he pleaded guilty to attempted insurance fraud claiming he purchased his auto insurance prior to his wreck.

The Mecklenburg County man called his insurance company on Tuesday to notify them that he wrecked his car on Monday. One problem was the car was actually wrecked on Sunday at 4:30 in the morning. The other problem was that the fraudster didn't have any insurance on his car at the time of the wreck. He called the insurance company on the same day as the wreck and sent a money gram later that afternoon to start the policy at one minute past midnight on Monday, the same day he claimed to have wrecked his vehicle. He and his passenger were also reported to be injured in the wreck.

The criminal accepted a plea agreement and was convicted in Mecklenburg Circuit Court of one felony attempt to obtain money by false pretenses. He was given a two-year suspended sentence provided he is on good behavior for two years and fined \$380 in court costs.



Insurance fraud occurs when anyone tries to make

money from insurance transactions by deception. It is the second most costly white-collar crime in the U.S., behind tax evasion.



Evangelical Family Sings the Insurance Fraud Blues From Prison

An investigation of prescription fraud at three pharmacies in rural Lee County, Va. by a Lee County Sheriff's Office lieutenant sparked a two-year investigation that ended the criminal lifestyle of a Southwest Virginia family.

The investigation into the prescription fraud in Virginia led to an arson in Kentucky. As potential suspects and witness involved with the prescription fraud and arson were interviewed, numerous allegations of insurance fraud, medical fraud, prescription fraud, financial institution fraud, as well as arson, firearm violations and narcotic distribution began to surface.

The investigation ultimately centered on a family from Ewing Va., who led tent-based evangelical services for approximately 30 years. The investigative team made up of members of the VSP, the ATF and Lee County Sheriff's office proved that the

family members were responsible for nearly 100 multi-state-crimes that included insurance fraud, identity theft, credit card and bank fraud, narcotics distribution, and arson and firearms violations.

Fourteen individuals were ultimately arrested and convicted. The U.S District Court ordered the crooks to pay more than \$300,000 in restitution to the defrauded insurance companies and serve prison sentences ranging from 10 to 175 months.

Danville Men Plead Guilty To Scheme to Defraud Insurance Carriers

Two Danville men were convicted for defrauding insurance carriers. Beginning in 1992, the pair purchased insurance policies, then submitted false claims for auto accidents and personal injuries as a result of those accidents.

The investigation by the United States Postal Inspection Service and the VSP proved the men used the mail to submit false claims, and had checks mailed to them through the United States Postal Service for the false claims. They also made false claims via phone by calling insurance companies to report fraudulent accidents or losses.

Each man each pleaded guilty to mail fraud and wire fraud in U.S. District Court in Danville. One man was sentenced to more than six years in prison and ordered to pay more than \$13,000 in restitution. The other man was given a three-year sentence suspended and ordered to repay more than \$4,500 to the defrauded insurance companies.

Virginia Woman Sentenced in Insurance Fraud Case

A Chesterfield County woman who embezzled more than \$21,000 from the insurance company that employed her as a claims adjuster found out the crime of insurance fraud doesn't pay.

Over a period of seven months, the woman issued 52 fraudulent checks to 44 different payees as a claims adjuster for an insurance company. Investigation by the VSP revealed that while the majority of the checks were made payable to actual claimants, the woman kept the

checks, forged the signatures of the claimants as well as her husband's signature and deposited the checks into her husband's checking account. In addition, 17 checks were made payable to either her, her family members or variations of their names. These were deposited as well. Her husband was not aware of the scheme since she handled all of the family banking.

The woman was sentenced in Chesterfield County Circuit Court on six felony charges and ordered to make full restitution to her former employer. She pled guilty to one charge of embezzlement and five forgery charges. On the embezzlement charge, she received a 10-year sentence, suspended for 20 years with good behavior. Sentencing was suspended for 20 years on the forgery charges with the same stipulation as the embezzlement charge. She was also ordered to make restitution to her former employer in the amount of \$21,590.75.



Insurance Fraud Sends Woman to Prison for Three Years

When insurance agencies write policies, their clients are relying on their agent to make sure the insurance policies are purchased with the funds provided. When an agent in Petersburg decided she would keep the policy payments for herself, she found herself on the wrong side of the law.

The owner of a Petersburg insurance agency was notified by one of the companies the agency writes policies for that their escrow account was short by approximately \$14,000. The owner of the agency notified the VSP that he suspected one of his employees was responsible for the missing money. Other than the owner, this agent was the only other person who handled deposits and other money transactions.

Investigation by a VSP insurance fraud agent revealed the agent was altering money orders and checks, making them payable to

her and using the funds for personal use. One client paid in cash. The policy information and money amount was never sent to the insurance company. Consequently no coverage was ever issued for the client.

This fraudster ultimately pled guilty to three charges of embezzlement. The Petersburg Circuit Court sentenced her to the next three years in prison followed by 17 years supervised probation. She was also order to make restitution in the amount of \$18,000.

Stamp Out Fraud Training CD

The mission of the Insurance Fraud Program is three-fold: to investigate, to educate and to train. One of the strategies implemented in 2006 to provide training to the both the law enforcement and legal communities as well as the insurance industry has been the development of an interactive, training CD.

Four targeted intros were developed to reach four specific audiences – state police, local law enforcement, the insurance industry and commonwealth’s attorneys. The intro sections then branch out into four distinctive lessons. The first part is an overview of the Insurance Fraud Program, which includes related statistics, insurance fraud statutes and highlights of the IFP public awareness programs.

The following two sections cover resources available to investigators and training information, along with insurance terminology, and investigation tips and links to a variety of online services. The final section lets users test their investigative and analytical skills via three interactive insurance fraud case scenarios – workers’ compensation, auto with bodily insurance, and homeowners with arson and claim padding.

Contributing to the CD were Senior Special Agent Ray Seals and Special Agent Russell L. Eley III who wrote the scripts for the interactive cases and provided valuable input into the entire process. Distribution will begin in 2007.

Attempted Insurance Fraud Has High Costs

Can someone commit insurance fraud even when there's not a policy? Just ask one Virginia Beach man who thought leaving his custom motorcycle in his friend's garage over the winter was a good idea.

The Virginia Beach man dropped his motorcycle insurance when he stored his bike since he wasn't riding it. In the spring he was notified by his friend that the custom motorcycle had been stolen from his garage. The friend told him to obtain insurance, wait a while, and then report the bike as stolen. He could file a claim

and get money for his bike. The victim contacted Virginia Beach Police, filed a report and relayed the conversation about purchasing an insurance policy to cover the stolen bike.

Investigation by the Chesapeake VSP Insurance Fraud Unit resulted in the "friend" being charged with filing a false report to law enforcement, attempting to obtain money or property by false pretense and conspiracy. This criminal will be serving seven months in jail and be on supervised probation for an indefinite period and uniform good behavior for 10 years. He also has to make restitution totaling \$15,915 to the owner of the motorcycle.

Special Agent Joins the Fight Against Insurance Fraud

In 2006, Special Agent Scott D. Jones joined the Insurance Fraud Program working investigations in Third Division, Appomattox, along with Senior Special Agent Ronnie Campbell.

Jones graduated from Radford University with a B.S. Degree in Criminal Justice. His law enforcement career began in 1994 when he became a police officer for the City of Staunton. Jones joined the Virginia Department of State Police (VSP) in 1997 and was assigned to Shenandoah County after graduation. In 2000 he was transferred to Albemarle County, where he continued his work as a trooper until being promoted in 2003 to the rank of

Special Agent. Jones was assigned to the Bureau of Criminal Investigation, Counter-Terrorism and Criminal Interdiction Unit, and in 2004 he transferred into the General Investigations Section of the Bureau of Criminal Investigation. Jones remained there until he was selected to participate in an internship at the VSP Administrative Headquarters in Richmond. Jones left the internship to become a Special Agent within the Department's Insurance Fraud Program.



Sharp Eye Expedition

The IFP has added a new promotional tool to its arsenal of public awareness resources – a 2006 Ford Expedition. The black Expedition sports the green-eyed reward message on the sides and rear window. This traveling billboard can be seen on Virginia’s highways and byways reminding citizens they may be eligible for a reward when they report suspected insurance fraud to the Virginia State Police.

In 2006, the Sharp Eye Expedition made appearances at two National Night Out events – Danville and Gainesville.

The Expedition was also seen at the Tazewell County Air Show, VIN etchings in Lynchburg and Alexandria, Railroad Days in Appomattox, and the GEICO Open House in Fredericksburg.

If you have an upcoming event and would like to include the Insurance Fraud Program’s Expedition as part of your anti-fraud message, contact Pam Jewell at Pamela.Jewell@vsp.virginia.gov at least one month prior to the event.



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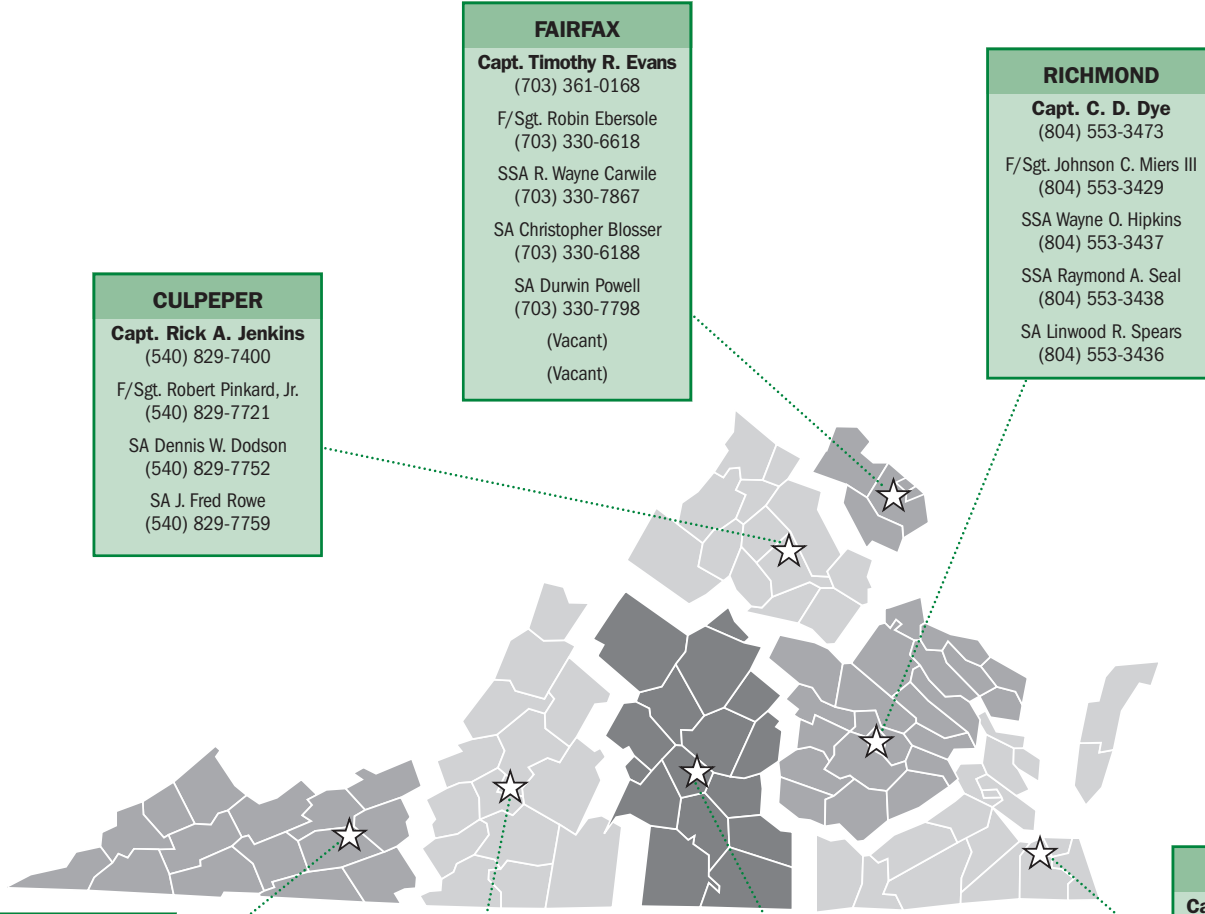
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