



WANTED



PARTNERS AGAINST INSURANCE FRAUD

Citizens and the IFP making an impact on insurance fraud.



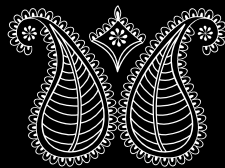
VIRGINIA STATE POLICE
INSURANCE FRAUD PROGRAM

**STAMP
OUT
FRAUD**

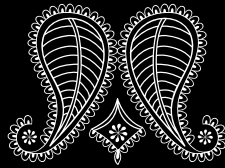
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Virginia State Police
Insurance Fraud Program

◆ 2007 ANNUAL REPORT



Over the past nine years, IFP's partners have submitted more than 11,000 notifications for suspected insurance fraud.





Report from the VSP Superintendent and IFP Coordinator

THE VIRGINIA STATE POLICE (VSP) Insurance Fraud Program (IFP) is entering its tenth year and continuing to make tremendous strides against the crime of insurance fraud. This is due in large part to the partnerships that have developed with citizens, law enforcement, commonwealth's attorneys and the insurance industry. Over the past nine years, IFP's partners have submitted more than 11,000 notifications for suspected insurance fraud.

In 2007, arrests for insurance fraud and related crimes reached record-breaking numbers. Insurance fraud special agents made 310 arrests, which is a 204 percent increase over the previous year. Agents also initiated 458 investigations, a more than 24 percent increase. Citizen partners received a total of \$24,750 in "Sharp Eye" rewards — the largest amount presented in any year since the first rewards were awarded in 2005.

"Insurance fraud is a serious crime that affects all Virginians — with increased premiums and higher costs for items and services they purchase every day," said Colonel W. Steven Flaherty, Virginia State Police Superintendent. "I am proud of the work done by the Department's special agents and their allies in the fight against the crime of insurance fraud in the commonwealth."

When the IFP began in 1999, 14 special agents were on the job investigating insurance fraud. Over the past nine years, the number of special agents investigating

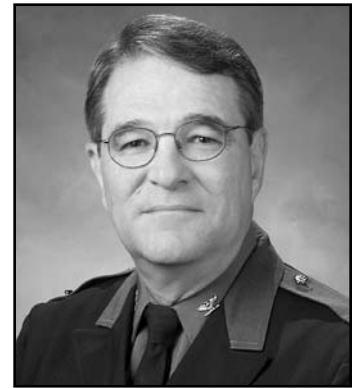
insurance fraud has continued to increase; and with the addition of five new positions — four special agents and a legal specialist — there are now 25 special agents on the VSP fraud squad. The newly created position of legal specialist will act as a liaison between the insurance industry and the IFP's operations, conduct training on insurance fraud, and review and evaluate legislation dealing with insurance fraud.

The IFP also welcomed a new captain in 2007. Captain Robert L. Tavenner was promoted to the rank of Major and transferred to the Bureau of Administrative Support Services in August. Lieutenant Steven W. Lambert quickly took the reins as Captain for the Support Services Division in the Bureau of Criminal Investigation.

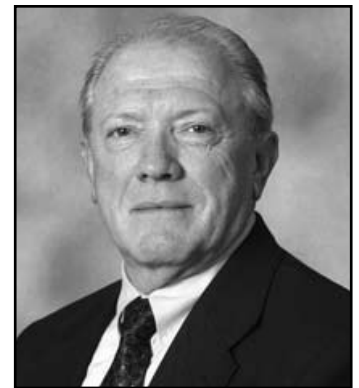
In nine years, special agents have undertaken 1,944 fraud investigations, and 557 cases have been presented to the commonwealth's attorneys for prosecution. Court ordered restitution also topped \$12 million.

In 2007, IFP special agents presented 76 cases to commonwealth's attorneys, a decrease from 2006, while the number of cases adjudicated in 2007 — 106 — also dropped. This decrease in cases presented to the commonwealth's attorneys and cases adjudicated may reflect the drop in the number of arrests in 2006.

"It should be noted, however, arrests are up substantially in 2007," said Lieutenant W. Roger Rector, Coordinator, Insurance

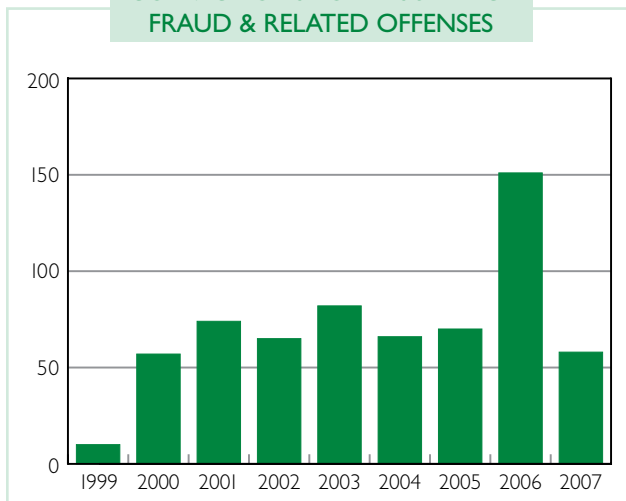


Colonel W. Steven Flaherty
Superintendent
Virginia State Police

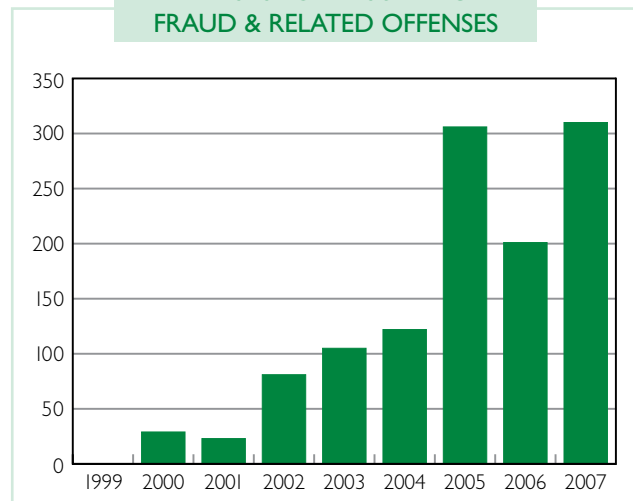


Lieutenant W. Roger Rector
Coordinator
Virginia State Police
Insurance Fraud Program

CONVICTIONS FOR INSURANCE FRAUD & RELATED OFFENSES



ARRESTS FOR INSURANCE FRAUD & RELATED OFFENSES





Justin and Lisa Martin distribute insurance fraud promotional materials at racing events.

Fraud Program, “and the number of cases adjudicated in 2007 is more in line with previous years. In 2006, there was a spike in the number of cases adjudicated — almost triple the number of cases the year before.”

The VSP continues to investigate fraud related to property and casualty lines of insurance. Vehicle fraud and workers’ compensation accounted for 77 percent of the reported casualty and injury fraud, while 69 percent of the reported property fraud was related to vehicles alone.

Since vehicle fraud receives the lion’s share of notifications and investigations, the IFP continues to partner with the Help Eliminate Auto Theft Program (H.E.A.T.) through its race car program, Vehicle Identification Number (VIN) etchings, scanner and bait cars, as well as innovative “billboards” on the Salvage Examination Vehicle (SEV) and display trailer.

The SEV, which is used at VIN etchings, public events and also doubles as a command post for the Department, is covered entirely on the left side with the insurance fraud information. As the SEV

travels Virginia’s highways, the green “Sharp Eye” reward message is prominently displayed to passing traffic.

Because the SEV has a television that can be viewed outside by citizens while their cars are being VIN etched, a ten-minute educational video covering both insurance fraud and auto theft is being developed. Plans call for the video to be completed by June 2008. The video will also be incorporated into IFP displays and aired at public events.

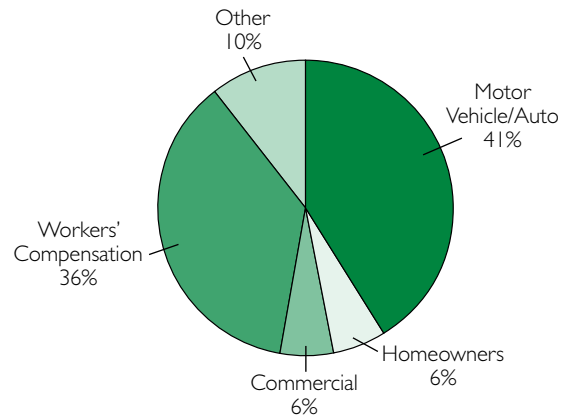
In addition, Martin Racing — the team that drives the race car for H.E.A.T — and the IFP entered into a contract that called for the placement of the IFP logo on three racing trailers for 12 months and the distribution of insurance fraud promotional items at racing events.

The IFP, special agents and analysts, the insurance industry, commonwealth’s attorneys and Virginia’s citizens are all to be commended for their efforts to stamp out fraud in the commonwealth. We can all reduce the cost of insurance fraud to Virginians by continuing to investigate, educate and cooperate.

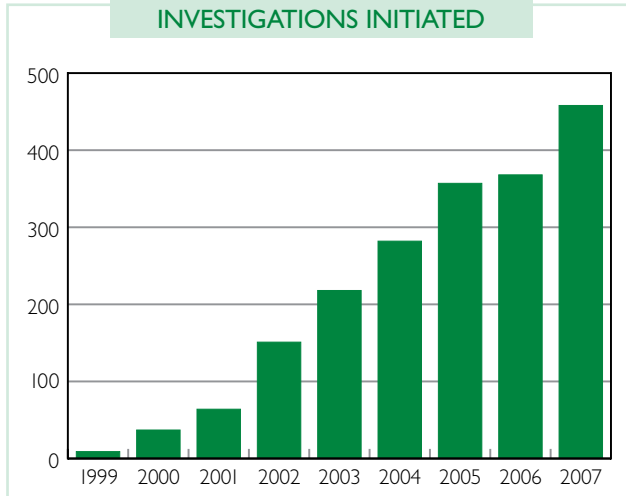


The “Sharp Eye” reward message is prominently displayed on the Salvage Examination Vehicle.

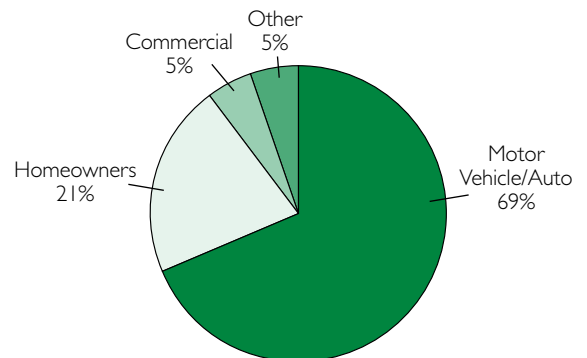
INJURY & CASUALTY FRAUD



INSURANCE FRAUD INVESTIGATIONS INITIATED



PROPERTY FRAUD





Insurance Fraud Program Activity Report

January 1, 2007 through December 31, 2007



1. Number of notifications received	1,680
A. Hotline	319
B. Web	1,166
C. Other	195
2. Number of notifications sent to unopened case file	1,023
3. Number of investigations initiated	458
4. Number of notifications referred to other BCI Divisions	21
5. Number of notifications referred to other agencies	23
6. Number of cases involving property fraud	1,013
A. Motor Vehicle/Auto	696
B. Homeowners	215
C. Commercial	50
D. Other	52
7. Number of cases involving injury/casualty fraud	664
A. Motor Vehicle/Auto	274
B. Homeowners	38
C. Commercial	39
D. Workers' Compensation	244
E. Other	69
8. Number of cases of actual fraud (collected)	288
9. Number of cases of attempted fraud	728
10. Total Amount of claimed loss (collected)	\$3,368,659
11. Total Amount of claimed loss (attempted)	\$7,007,850
12. Number of cases presented to commonwealth's attorneys	76
13. Number of cases adjudicated	106
14. Number of arrests for insurance fraud	208
15. Number of convictions for insurance fraud	39
A. Felonies	15
B. Misdemeanors	24
16. Number of arrests for related offenses	102
17. Number of convictions for related offenses	29
18. Amount of restitution ordered	\$230,693
19. Number of fraud awareness presentations	29
20. Number of persons contacted	12,768



Citizens Rewarded for Their Anti-Fraud Efforts

THE YEAR 2007 PROVED THAT CITIZENS can make a difference when it comes to insurance fraud. Five Sharp Eye rewards, totaling \$24,750, were presented to citizens who came forward to report suspected insurance fraud to law enforcement. This represents almost 54 percent of the Sharp Eye rewards paid out since 2004. The information provided to law enforcement led to the arrests of individuals who tried to defraud insurance companies and were caught.

In one of the more notable cases, the actions of the informant resulted in the imprisonment of a southwest Virginia clan who made a living committing arson and insurance fraud. Other cases included

claimants who falsely reported the details of a collision, a false vehicle theft claim and a claimant who purchased insurance after hitting a deer. In a workers' compensation case, the individual was receiving disability benefits after allegedly injuring his back at work. In the meantime, he was employed as a personal trainer at a gym.

The Sharp Eye Reward Fund was established in 2004 and can pay up to \$25,000 for information leading to the arrest of individuals who commit insurance fraud in the commonwealth of Virginia. Anyone who reports suspected insurance fraud to the IFP, whether or not they are eligible to receive a reward, may remain anonymous.



Stephanie Rogers is the happy recipient of a Sharp Eye reward from Special Agent Joe Diamond in Division 6.

Partnerships Result in Special Recognitions

EVERYONE'S HEARD THE EXPRESSION "PARTNERS IN CRIME," BUT HOW ABOUT "partners in law enforcement"? Two successful partnerships the IFP developed with other law enforcement agencies and its advertising agency were recognized in 2007.

VSP SPECIAL AGENT RECEIVES ACHIEVEMENT AWARD

Virginia State Police Senior Special Agent William "Bill" Whitt was recognized by the Federal Law Enforcement Officer's Association (FLEOA) for his efforts in bringing down a multi-state, million dollar insurance fraud operation that involved arson and prescription fraud.

The Honorable Mention Group Achievement Award for a Bureau of Alcohol, Tobacco and Firearms (ATF) Arson Case was presented to Whitt and the other members of the team who worked on the case by FLEOA National President Art Gordon and DC Chapter President Rasheed Tajir. Whitt has been a special agent with the VSP Insurance Fraud Program since it began in 1999. He has more than 30 years with the VSP, including 14 years in the Bureau of Criminal Investigation.

The federal investigation for which they received recognition involved the Scott family in Lee County. For at least 25 years, the Scott family ran a variety of insurance

fraud schemes, but a prescription fraud investigation at three pharmacies in rural Lee County, Va. sparked a two-year investigation that ended the criminal lifestyle of this Southwest Virginia family.

The investigation into the prescription fraud in Virginia led to an arson case 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 the Scott family from Ewing Va., who led tent-based evangelical services for approximately 30 years. The investigative team proved 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 for crimes ranging from arson to mail and wire fraud to prescription fraud, Medicaid fraud, and breaking and entering. 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.

Other recipients of the group achievement award were ATF Special Agent/Certified Fire Investigator Jennifer Clarke, Lieutenant Fred Rouse with the Lee County, Va., Sheriff's Office, and Sergeant Mark Nash with the Bristol, Va., Fire Department. Nash is also an ATF Task Force Officer/K-9 handler.

The FLEOA is the largest nonpartisan, professional association that represents exclusively more than 24,000 federal agents from over 50 different federal law enforcement agencies.

VSP INSURANCE FRAUD PROGRAM WINS PUBLIC RELATIONS AWARD

The Richmond Chapter of the Public Relations Society of America (PRSA) awarded a Silver Certificate of Merit to the IFP and their advertising agency, Neathawk Dubuque & Packett, for their Insurance Fraud Awareness Week and Fraud Fighters Awards communication campaigns. The award was presented at the 60th Annual PRSA Awards Ceremony.

The awards are divided into two categories — Silver for programs and Bronze for tactics. The Silver entries are judged on

planning and content, creativity and quality, technical excellence and results.

"I am really pleased with the media coverage that Insurance Fraud Awareness Week and the Fraud Fighters Awards received last year," said Lieutenant W. Roger Rector, IFP Coordinator. "The Certificate of Merit from PRSA shows just what team work can accomplish."

The Insurance Fraud Awareness Week and Fraud Fighters Awards entry in the Silver category of "Brief Events and Observances" outlined how the results of a 2005 statewide survey on attitudes about insurance fraud were used to develop a comprehensive marketing communications plan. Two of the communications plan's tactics, Insurance Fraud Awareness Week and Fraud Fighters Awards, were identified as a means of raising awareness about the VSP Insurance Fraud Program. Extra emphasis was placed on public relations efforts to get out the Insurance Fraud message. The result was coverage of the two events in 13 newspapers, and impressions totaling 843,603. In addition, eleven broadcast outlets provided coverage of the events.



From left to right, FLEOA National President Art Gordon, VSP Senior Special Agent Bill Whitt, ATF Special Agent Jennifer Clark, Lee County Lt. Fred Rouse, DC Chapter President Rasheed Tajir.



Training CD Update



THE INSURANCE FRAUD PROGRAM TRAINING CD, which went into production in 2006, was released in June 2007 and has been distributed to law enforcement, insurance investigators and commonwealth's attorneys. The CD was promoted at VA IASIU meetings, regional auto theft meetings and through the Fraud Facts newsletter. Approximately 200 of the 250 CDs produced have been distributed.

A brief questionnaire was included in each mailing asking the recipients to evaluate the training CD. On the forms returned, the CD received average to excellent overall ratings. On the question "What topics would you like to see covered in future training CDs", the answers include life insurance and health insurance fraud, as well as interviewing techniques.

This interactive CD is designed for law enforcement, insurance investigators and prosecuting attorneys. Four targeted intros were developed to reach these audiences. 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, 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.



Virginia State Police Recognizes Outstanding Fraud Fighters

FRAUD *Fighters*

NINE VIRGINIA “FRAUD FIGHTERS” were recognized in 2007 by the Insurance Fraud Program for their efforts in combating insurance fraud in the commonwealth. Twenty-six individuals, along with the VSP Search and Recovery Team, have received the Fraud Fighters Award since it was established in 2005.

Nominees for the Fraud Fighters Award came from the Virginia insurance industry, the law enforcement community and the 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 2007 Fraud Fighters Award were: **Jennifer Clarke**, senior special agent with the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); **Jerry Dexter**, lead investigator with GEICO Insurance; **J. Bishop Ravenel**, assistant commonwealth’s attorney for Portsmouth; **Raymond A. Seal**, senior special agent with the VSP Insurance Fraud Program; **Jeffrey L. Spencer**, special investigator (retired) with State Farm Insurance; **Sergeant Richard A. Vaughan**, Wythe County Sheriff’s Office; **Robert L. Werner**, FBI special agent; **Philip Wong Won**, senior investigator with Erie Insurance; and the **Virginia State Police Search and Recovery Team**.

☆ Senior Special Agent **Jennifer Clarke** of the ATF has shown exceptional leadership in the pursuit of the Scott family of Ewing, Va. The case began in 2003 with prescription fraud in Lee County and arson in Kentucky. Subsequent investigations uncovered much more. Under Clarke’s leadership, the investigative team exposed a family heavily involved in insurance fraud and other criminal activities of all kinds,

from arson to identity theft, false auto and injury claims, burglaries, narcotics distribution and more. Her team tackled a massive amount of information including more than 20 years of records; and in 2004 Clarke was able to present evidence to a federal grand jury that included nearly 100 violations of federal laws. As a result, 14 members of that family received sentences ranging from 10 months to 178 months and were ordered to make restitution of more than \$300,000.

☆ When a crook bilked hundreds of thousands of dollars from elderly citizens in Hampton Roads, **J. Bishop Ravenel**, who was the assistant commonwealth’s attorney for Portsmouth at the time, made sure this fraudster was out of business. With victims ranging from 58 to 85 years of age, some of them paying thousands in consulting fees, the suspect was investigated, arrested and charged with 13 counts of Obtaining Money by False Pretense. Determined to prove the threat this person was to the elderly citizens of Hampton Roads, Ravenel invested himself in the planning and research of the case. As the defense attorney sought to suppress charges, Ravenel’s hard work resulted in the motions being overruled by the court. After the failed attempt at suppression, the suspect pled guilty to four charges. Next, Ravenel presented the testimony of 16 witnesses in a five-hour sentencing hearing that resulted in the convicted fraudster being seen by the court as a threat to the community and sentenced to the maximum of 20 years in prison for each charge. All but 10 years were suspended with 20 years of supervised probation upon release from prison. Because of Ravenel’s dedication, commitment and perseverance as a prosecutor, this fraudster and white collar criminal will no longer be a threat to the elderly.



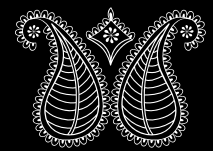
★ **Raymond A. Seal**, Virginia State Police senior special agent, has been fighting insurance fraud since the inception of the Insurance Fraud Program in 1999. In the last two years alone, Seal has worked on over 200 notifications, opening and closing more than 20 cases, which led to the arrest of a dozen people on insurance fraud related charges. Seal provided invaluable input to the development of the computer-based training program for the Insurance Fraud Program. Some of his more memorable cases that resulted in successful prosecutions, include a man with a 25-year history of staging motor vehicle crashes, a woman who faked electrocution to pursue a \$3.5 million lawsuit, a drywall hanger who got hung up by his workers' compensation claims, and the pursuit of an insurance company's own claims handler who embezzled to the tune of \$28,000. Seal continues to provide dedicated leadership to the VSP, service to the citizens of the commonwealth, and set the standard for insurance fraud investigations.

★ **Jeffrey L. Spencer** has provided significant service to the insurance fraud fighting efforts, both through his long and successful career in the Organized Activities Unit of State Farm Insurance and through his service to the Virginia Chapter of the International Association of Special Investigation Units (IASIU). Beginning his career with State Farm Insurance in January 1971 in Charlottesville, Jeff has consistently provided thorough investigations in both the property and casualty arenas. Having served in Norfolk, Danville and Roanoke, as well as Durham and Raleigh, NC, prior to returning to Richmond, Jeff was regularly sought out to provide investigative guidance, particularly in the investigation of organized and casualty fraud. His participation in industry organizations, especially the VA IASIU, has contributed greatly to the exceptional anti-fraud partnership that exists today between the insurance industry and law enforcement. Awarded a Life

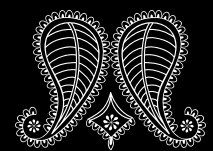
Membership to Virginia IASIU in 2006, Jeff continues his strong involvement in the Virginia chapter even during his retirement and is currently serving as the Chairman of the Membership and Awards Committee.

★ Wythe County Sheriff's Office **Sergeant Richard A. Vaughan** worked relentlessly to solve three insurance fraud cases. The first involved a Wythe County couple who staged a burglary in their residence, poured gas throughout the home, then filed a claim with their insurance company. The second case was a report of an automobile theft. After learning that the vehicle was recovered only three miles from where it was stolen, Sgt. Vaughan became suspicious. The vehicle, which was partially submerged, was recovered from a local quarry. Sgt. Vaughan also learned that the vehicle had mechanical defects prior to the reported theft. The third case involved the alleged burglary and larceny of items from a residence. The alleged victim reported that subjects had broken into his residence and had a party. He filed a claim with Erie Insurance for several thousand dollars. After interviewing several of the subjects who attended the party, Sgt. Vaughan became suspicious of the owner. A consent search of the residence uncovered many of the items that were allegedly stolen, and enough probable cause was obtained for an arrest warrant. The subjects in all of these cases were convicted and ordered to pay restitution. The tenacious work of Sgt. Vaughan, combined with the spirit of cooperation between the VSP and insurance investigators, has helped to stamp out fraud in Wythe County.

★ Special Agent **Robert L. Werner** of the FBI has distinguished himself in the last ten years as a member of the FBI's Northern Virginia-based Health Care Fraud squad. Through his persistence, he has investigated numerous cases from initiation to prosecution, including follow-up on convictions and restitution. His tactics and determination have created a reputation of diligence.



Twenty-six individuals, along with the VSP Search and Recovery Team, have received the Fraud Fighters Award since it was established in 2005.





FRAUD *Fighters*

Werner's proactive style and use of evidence have brought key successes to many investigations including a criminal gang who filed property and injury claims, targeted innocents and utilized more than 40 Virginia DMV identities. In another case, a Maryland man charged with fictitious property damage visited Virginia to commit the same types of crimes to pay for his Maryland defense. Werner assembled a complete package for the prosecutor to ensure an indictment. A review of Werner's fraud fighting efforts revealed 34 federal convictions, four local convictions, \$5,470,806 in federal court-ordered restitution and \$35,239 in local court-ordered restitution. Werner has become as well known and respected as any one person can be in law enforcement and insurance efforts to detect, deter, investigate and ultimately prosecute fraud.

★ **Philip Wong Won** has been with Erie Insurance for more than 10 years. He is tireless in his pursuit of those who attempt to commit fraud against Erie Insurance in particular, or the industry in general. Wong Won is relentless in his quest for information that either proves a claim to be valid or to contain elements of fraud. He personally investigates more than 100 claims annually. Wong Won has been active in the local IASIU during his tenure with Erie Insurance, serving in many capacities. He recently stepped down as president of the Virginia chapter, although he continues to serve on the legislative committee, which keeps him active on the national level.

★ **Jerry Dexter**, lead investigator for GEICO Insurance, received hotline information from the VSP Insurance Fraud Program in Chesapeake that one of GEICO's insureds intentionally pushed his new Nissan Xterra into an unidentified river near West Point, Va. The insured wanted to put an end to payments that he couldn't afford. Dexter requested assistance from First Sergeant

Mike Berry, supervisor of the VSP Search and Recovery Team, formerly the VSP Dive Team, to help search a few river locations in the West Point area targeted by a VSP analyst as suitable for disposing of a vehicle in the manner described by the informant. The Dive Team and Dexter worked many long hours to successfully locate and recover the vehicle, which had been fraudulently reported stolen by the GEICO policy holder.

★ Continuing with the same GEICO case, the professional and dedicated hard work of the **VSP Search and Recovery Team (SART)** resulted in the successful recovery of the submerged Nissan Xterra. This is a great example of the cooperation between law enforcement and the insurance industry to identify and reduce insurance fraud. This case could not have been closed without the talents, expertise and equipment of the SART; VSP special agent William A. Royall; and William R. Henry, VSP analyst.

In addition, the following individual members of the SART, along with the other Insurance Fraud personnel who worked on this case, received Certificates of Appreciation.

- ★ **Division One**, Richmond: Sergeant Lee T. Elliott, Sergeant Mitchell A. Smith, Trooper Stephen M. Rusher, Trooper James C. Smith
- ★ **Division Two**, Culpeper: Trooper Adam C. Galton
- ★ **Division Three**, Appomattox: Special Agent R. Clay Overholt, Trooper Andrew S. Trombley
- ★ **Division Four**, Wytheville: Trooper Jason C. Stanley
- ★ **Division Five**, Chesapeake: Trooper Steven T. Kean, Trooper Rory N. Williams, Trooper Carl R. Willoughby, Special Agent William A. Royall, Analyst William R. Henry
- ★ **Division Six**, Salem: Trooper John F. McAfee, Trooper J. Tommy Morris



New Captain Takes the Helm of Support Services Division

IN 2007, THE SUPPORT SERVICES Division (SSD), under which the Insurance Fraud Program is located, welcomed Captain Steven W. Lambert on board. Captain Lambert brings 20 years of Virginia State Police experience to the SSD and an extensive investigative background that includes white collar crime.

“I’m excited to be taking over the leadership of the Support Services Division and having the opportunity to work with the insurance fraud team, as well as the other staff members in SSD,” said Lambert. “Insurance fraud, specifically, is a crime for which all Virginians pay — in higher insurance premiums and increased costs for everyday goods and services.”

Lambert began his career with the Department in January 1988 as a Trooper assigned to Chesterfield, Powhatan and Amelia counties. As a result of his efforts in DUI enforcement and education, Lambert was recognized by the courts as an expert witness in Standardized Field Sobriety Testing and other DUI-related topics.

After being on the road for eight years, Lambert was promoted to Sergeant, supervising troopers and commercial vehicle enforcement officers in Caroline and King George counties. In 2001, he transferred to the Special Operations Division. As a member of a drug interdiction team, Lambert was able to work closely with the FBI; the Drug Enforcement Administration; the Bureau of Alcohol, Tobacco, Firearms and Explosives; as well as local jurisdictions on major drug investigations.

His next career move took him to First Sergeant and eventually Assistant Commander of the Counter-Terrorism Criminal Interdiction Unit. Lambert was promoted to Lieutenant in 2004 and

assigned to the Criminal Intelligence Division in the Bureau of Criminal Investigations. In this role, he supervised several white collar crime investigative units, which included the Research and Analytical Unit, the Field Intelligence Unit, the Computer Evidence Recovery Unit, and the Money Laundering Unit.

During this time, he was also charged with the implementation of the Virginia Fusion Center (VFC). As the name implies, the VFC fuses together key resources from federal, state and local entities to defend Virginia from terrorist threats and/or attacks and to support the Virginia Emergency Operations Center in the recovery from natural or man-made disasters.

Lambert served as acting commander of the VFC prior to being promoted to the rank of Captain and taking command of the SSD. Before leaving the VFC, he was able to move several statewide initiatives forward, including the Virginia Intelligence Management System (VIMS). When fully implemented, the VIMS will provide each locality in Virginia an information and intelligence management system that will dramatically improve the state of information sharing within and outside the commonwealth.

Lambert graduated from Wake Forest University with a Bachelor of Arts in Economics and is currently pursuing his Master of Science in Criminal Justice Administration from Virginia Commonwealth University (VCU). He has also earned a Post Baccalaureate Certificate from VCU in Criminal Justice Administration and is a graduate of the National Criminal Justice Command College at the University of Virginia.





Legal Expert Joins IFP Fraud Squad



THE INSURANCE FRAUD PROGRAM IS proud to announce that Attorney Daniel Wilson has joined the Virginia State Police as a legal specialist to aid in the fight against insurance fraud.

Wilson, a 1988 graduate of Virginia Military Institute and a 2004 graduate of the University of Richmond Law School, brings a wealth of insurance and law enforcement experience to the IFP. Following his graduation from VMI and a six-year stint as a credit analyst with Ford Motor Credit Corporation, Wilson joined the VSP and served as a trooper in Richmond for seven years. In 2001, he left the VSP to attend the University of Richmond Law School.

With law degree in hand, Wilson prosecuted workers' compensation claims for Geoffrey R. McDonald and Associates for the next year. In 2005, his career path took him to Travelers Insurance where he handled property and casualty claims for a

year. He then became a member of the Travelers Insurance staff counsel, in the Law Offices of Mark J. Beachy, defending workers' compensation, general liability, property and auto claims. In January 2008, Wilson found his way back to the Department and the newly created legal specialist position.

"I'm looking forward to the challenges of this new position and working for the Department again," said Wilson. "Insurance fraud is a crime that hits the pocketbook of every Virginia citizen, and I'm glad to have this opportunity to use my law expertise in the fight against fraud."

In this newly created position, some of Wilson's responsibilities include acting as a liaison between the insurance industry and the Insurance Fraud Program's operations, conducting training on insurance fraud, and reviewing and evaluating all relevant insurance fraud legislation.

Partners Increase Public Awareness Efforts

ACCORDING TO RECENT RESEARCH, public awareness programs and advertising campaigns play an important role in educating the public about the crime of insurance fraud and its consequences. A hallmark of the Insurance Fraud Program has always been its advertising and public awareness efforts.

From February through May of 2007, the IFP ran the original "Antique Furniture" television spot, which includes a tagline about the \$25,000 reward program. The blinking "Sharp Eye" television commercial, which emphasizes the \$25,000 reward, ran from October through November. Placement for both commercials was on network and cable outlets in Richmond, Roanoke, Tidewater and the Tri-Cities area. In Northern Virginia, billboards, in both English and Spanish, could be seen in 25 different locations in Virginia Railway Express and Metro stations. These billboards, carrying the reward message, were in place from February through April 2007.

Partnering with other VSP programs, insurance companies and local law enforcement has also proven to be an effective means of getting the insurance fraud message to Virginia citizens. IFP's traveling billboard — the "Sharp Eye" Ford Expedition — logged almost 10,000 miles around the commonwealth in 2007. It was driven to VIN etchings in conjunction with the Help Eliminate Auto Theft Program (H.E.A.T.), insurance company fraud awareness days, several Virginia State Police public safety days, and other special events.

The traditional elements of the IFP's Stamp Out Fraud campaign continue to be used. 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 2007, more than 319 citizens, insurance investigators and members of law enforcement called the IFP toll-free hotline, 1-877-62FRAUD (1-877-623-7283.) This is





a 14.5 percent decrease from the previous year; however, the number of notifications received by the IFP through the Web site, www.StampOutFraud.com, increased 15 percent. More than 1,100 notifications of suspected fraud were received via the Internet.

The Web site is updated regularly with case histories, educational and public awareness information, and provides an overview of insurance fraud and its impact on the citizens of the commonwealth. In 2007, there was a monthly average of 4,714 visitors to www.StampOutFraud.com.

Other public awareness materials include brochures that provide a comprehensive overview of insurance fraud, the IFP and information about the Sharp Eye Reward Program and posters promoting the Sharp Eye reward. The brochure and the posters are available in both English and Spanish. The IFP newsletter, "Fraud Facts," is published twice a year and distributed to law enforcement, the insurance industry and Virginia media.

Insurance Fraud Awareness Week, May 7 – 13, was recognized by Governor Timothy Kaine, who issued an insurance fraud proclamation that was presented during the Virginia Chapter of the International

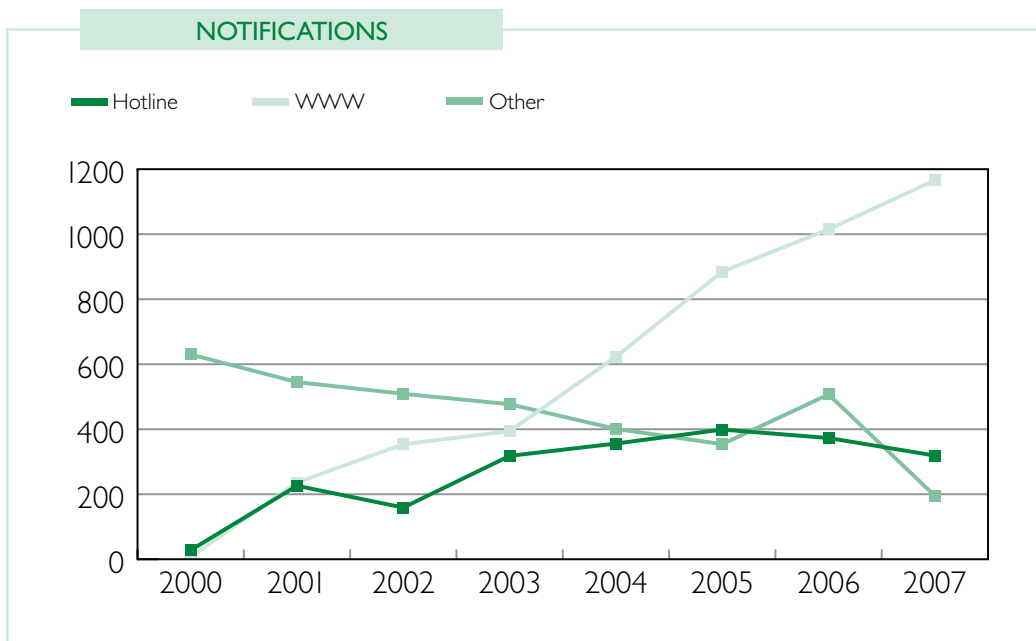
Association of Special Investigation Units (VA IASIU) annual training seminar.

One-page advertorials were again purchased to coincide with Insurance Fraud Awareness Week and the announcement of the Fraud Fighters Award recipients. The purchase of the advertorials was extended to include the *Richmond Times-Dispatch*, the *Virginian Pilot*, the *Roanoke Times* and newspapers published by the Washington Suburban Press. The advertorial was also translated into Spanish and placed in Hispanic newspapers in Northern Virginia.

During 2007, the IFP distributed 15 news releases to in-state media, as well as insurance-related media. Topics included the increase in insurance fraud arrests, Insurance Fraud Awareness Week, a general Fraud Fighters Award release, as well as releases targeting the recipients' local press, insurance fraud cases, disaster-related insurance fraud and holiday safety tips.



VSP Captain Robert Tavenner, VA IASIU President Jerry Alteri and VSP Lieutenant Roger Rector with the Governor's proclamation





New Agents Join the IFP Fraud Squad

THE IFP WELCOMED SEVEN NEW SPECIAL AGENTS AND TWO FIRST SERGEANTS ON board in 2007. This year also saw three of the IFP's original fraud fighters retire — First Sergeant Elizabeth A. Flournoy and Senior Special Agents Wayne Stone and Wayne Hipkins. Their determination and commitment to the program helped make this program the success it is today.

★ FIRST DIVISION ★

Special Agent Anthony Todd Gillis

Todd Gillis joined the Virginia State Police in 1985. His first assignment was in Springfield. Three years later he moved over to the motorcycle squad and remained a member for 16 years. "Physically I'm not on the squad," said Gillis, "but spiritually I am still a member of that team." In addition to being a member of the motorcycle squad, Gillis was also assigned to the Tactical Team and served in that capacity for 15 years "with my six brothers, who always had my back and I had theirs."

Gillis has also worked in Portsmouth and Newport News as part of a city and state partnership and as a motorcycle Trooper for six years in Richmond. After another assignment with the Tactical Team in Northern Virginia, Gillis was promoted to the Bureau of Criminal Investigation as a Special Agent in the Drug Enforcement Section and assigned to the Loudoun County Drug Task Force for a year.

Gillis was assigned to State Police Headquarters in 2006 as an intern to assist with the Re-accreditation process. During his internship Gillis put in a transfer to Insurance Fraud and began working for the Insurance Fraud Unit in October 2007. "I have been working cases in insurance fraud for approximately two months," remarked Gillis, "and I have enjoyed it."

Special Agent Ellen Neilson

Ellen Neilson began her career with the VSP in 1995 as a Trooper working Hanover and Henrico counties. Prior to becoming a State Trooper, Neilson was an exercise rider, breaking and training thoroughbreds for flat racing.

After working the road for several years, Neilson became a narcotic canine handler and was paired up with a super black lab named Lill. She continued her duties as a Trooper while handling canine calls. "When

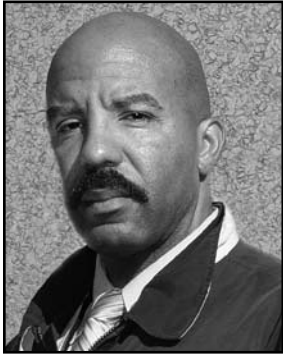
I worked, Lill worked," said Neilson. "She was a very good listener on long shifts." In 2004, she retired Lill and was then paired with a new dog, Hobbs. Hobbs also is retired and both dogs are living a life of luxury. As a narcotic dog handler, she was assigned in 2002 to the Counter Terrorism & Criminal Interdiction Unit full-time.

In 2006, Neilson was promoted to Special Agent assigned to the Drug Enforcement Section Gang Unit where she worked until she transferred to the Insurance Fraud Unit in July of 2007. "I have found this line of work to be challenging compared to the investigations I completed while working in uniform," said Neilson. "I currently work in the Richmond area which is my home. I had no idea of the monetary value that people have obtained by fraud. It is my goal to do my part to help reduce fraud being committed and to successfully build cases to be prosecuted in a court of law." Neilson commented that she hoped to retire with the Department or win the lottery, which ever comes first.

Special Agent William C. Palicia

Chris Palicia has spent more than 20 years with the State Police. He worked the road for eight years before obtaining the rank of Senior Trooper. While on the road, Palicia was involved in some major events in the commonwealth, including the prison riots, the coal strike and the Virginia Beach riots. Palicia was promoted to Special Agent Accountant and in that position had the opportunity to work on some major Virginia financial cases. He remained in that position until transferring to Insurance Fraud in July 2007.

Some of the other highlights of his career include working on the Malvo sniper case and the Virginia Tech shooting. Palicia was also a member of the State Police Dive Team for 12 years. In 2003, Palicia, along with other members of the Dive Team, received the Award of Merit for their part



Special Agent Anthony Todd Gillis



Special Agent Ellen Neilson



Special Agent William C. Palicia



in the FBI's Anthrax Investigation. "I have always enjoyed working in the area of white collar crime," remarked Palicia, "and view insurance fraud as a chance to enhance my investigative skills." Palicia is a graduate of Virginia Commonwealth University (VCU) and has a Graduate Certificate from VCU as well as a concentration in Accounting.

Special Agent Randall Fletcher

Randy Fletcher, a veteran of 22 years with the State Police, was promoted from Senior Trooper to Special Agent, Insurance Fraud in December, 2007. Fletcher was a member of the First Division Tactical team for the last 19 years and had worked hundreds of cases involving drugs, escapees and wanted persons. Fletcher is looking forward to the challenges that his new position offers.

★ FIFTH DIVISION ★

First Sergeant Tricia W. Powers

Tricia Powers took over the helm as First Sergeant in Fifth Division in July 2007. "I am very excited about the opportunity to be a part of the Department's Insurance Fraud Program," said Powers. "Insurance Fraud is a growing problem in Virginia that results in a great deal of loss for the insurance industry. Unfortunately, this loss is passed on to the consumer."

She joined the Department in 1993 and worked as a Trooper in Frederick County for three years. She was promoted to Special Agent, working as a narcotics agent for approximately two years before she transferred to the Fugitive Apprehension Unit. Powers laterally transferred to the Alcoholic Beverage Control for three years and relocated to Virginia Beach. She rejoined the VSP in 2004, assigned to the Drug Enforcement Section. She was a member of the Drug Enforcement Administration (DEA) Task Force in Norfolk for three years until she was promoted to First Sergeant and assigned to the Insurance Fraud Program. When asked about her assignment with Insurance Fraud, Powers said "the Department's Insurance Fraud Program is a wonderful tool to combat insurance fraud in Virginia, and I am pleased to have the opportunity to be a part of such a successful program."

Powers has an undergraduate degree from Bridgewater College as well as a Master's Degree in Criminal Justice.

Special Agent Brandon Blakey

Brandon Blakey was promoted to Special Agent and joined the Insurance Fraud Program in Chesapeake in August. His career with the Department began in 1998. After graduating from the Academy, he was assigned to Richmond as a Trooper. From there he's had the opportunity to attend a variety of different schools giving him the knowledge and experience to perform the following investigations: Firearms, Sex Offender, Advanced Motor Vehicle Crash, Background Investigations for pending Department Employment and now Insurance Fraud.

"During the course of my career I never knew exactly how much Insurance Fraud was being committed," said Blakey. "I am committed to investigate and make every effort to take all necessary actions to drastically reduce the fraud being committed."

Special Agent Phillip Edmonds

This Halifax County native joined the Virginia State Police in 1999. Edmonds worked as a Trooper in Chesapeake until he was promoted to Special Agent in 2005. He was assigned to the Drug Enforcement Section in Richmond until he transferred to the Insurance Fraud Program in July.

"I was not aware of the amount of fraud being committed in the insurance industry," said Edmonds when asked his thoughts about insurance fraud. "It makes me think of accidents that I had investigated while working the road that seemed suspicious or odd."



Special Agent Randall Fletcher



Special Agent Brandon Blakey, First Sergeant Tricia W. Powers and Special Agent Phillip Edmonds.



☆ SIXTH DIVISION ☆

☆ SEVENTH DIVISION ☆

First Sergeant Paul Watts

In August 2007, First Sergeant Paul Watts transferred into the Insurance Fraud Program overseeing the daily operations of the Salem Field Office. "I am proud of the hard working agents, secretaries and analysts who are committed to this program," remarked Watts. "Hopefully the public will become more aware of insurance crimes and support our mission by reporting fraudulent acts."

Watts, a graduate of Radford University, began his career with the Department in 1989 and was assigned to Fredericksburg. As a Trooper, Watts was assigned to two drug interdiction teams as well as the Tactical Team. He also became a general instructor and participated in City/State partnership in Richmond City focusing on high crime areas. As a result of Watts' efforts in drug interdiction, he received the Superintendent's Award of Merit and two Superintendent's Certificates of Commendation, as well as a letter of commendation from the Governor.

In 1993, Watts became a Special Agent, primarily investigating drug-related crimes, and four years later was promoted to Sergeant. During that time he helped coordinate several initiatives including Smart, Safe, & Sober; aerial speed enforcement; and the I-95 speed reduction.

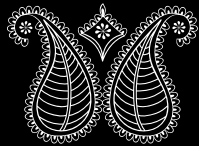
Watts was promoted to First Sergeant in the Bureau of Criminal Investigation in 2001, assigned to Culpeper then Salem, where he transferred into the Insurance Fraud Program. Shortly after being assigned to Salem, Watts participated in the NICB Mega SI Basic training. "Being assigned to the IFP has been both a blessing and an eye opening experience," said Watts. "I never knew the magnitude and prevalence of insurance-related crimes and the resulting financial impact imposed upon all of us."

Special Agent David Walker

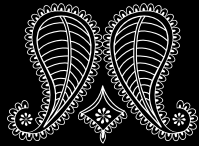
Walker joined the Department in 1998, after a fulfilling 22-year career with the U.S. Army. While in the military, Walker reached Master Parachutist, the highest paratrooper rating. Duties included the 19th Airborne Corps, (Field Artillery) and 82nd Airborne Division Band, Fort Bragg, NC. Other assignments included the 25th Infantry Division Band, Scholfield Barracks, Hi.; the 26th Army Band in New York; and the School of Music, located at Little Creek Naval Amphibious Base, Norfolk, Va. While assigned to the School of Music, Walker was a senior Drill Sergeant and Ceremonial Instructor for Advanced Individual Training. Walker served in the theatre of Iraq during Desert Shield/Desert Storm and received the Bronze Star for meritorious service.

In October 1998, Walker was accepted by the Virginia State Police Academy and graduated in May of 1999. Upon graduation, his first duty assignment was Arlington, Va. He was one of the first responders during the September 11 attack of the Pentagon. Walker transferred to Chesapeake in June 2002, and then joined Alcohol Beverage Control in 2004 as a special agent, assigned to the Alexandria area. Walker returned to the Virginia State Police in 2006 and was recently promoted to Special Agent, Insurance Fraud Program in Fairfax.

Walker is currently working towards his bachelor's degree in Criminal Justice at Saint Leo University and is projected to graduate in June, 2008. He also plays French Horn with the Annandale Orchestra and Brass Ensemble.



The IFP welcomed seven new special agents and two first sergeants on board in 2007.



☆ First Sergeant Paul Watts



☆ Special Agent David Walker



Insurance Fraud Cases

PURCHASING INSURANCE TOO LATE BRINGS FRAUD CONVICTION

A Norfolk man found out the hard way that it pays to have motorcycle insurance before your bike is stolen. Not only is he without a motorcycle now, but he has been convicted of making a false police report and attempting to obtain money by false pretense — better known as insurance fraud.

When the Norfolk man's story about his stolen motorcycle didn't add up, a Virginia State Police Trooper did a little digging and uncovered an attempt to commit insurance fraud. The suspect claimed that he left his motorcycle unattended on an I-64 interstate on-ramp after he wrecked it early on the morning of June 11, 2007. According to the suspect his bike was inoperable after the crash, and he walked home leaving the damaged motorcycle parked on the curb. He said he did not call police at that time. Instead, he said he returned the next morning to retrieve the wrecked motorcycle only to discover it had been stolen, and he notified the Virginia State Police.

Unable to find any debris or other evidence of a crash and noting inconsistencies in the suspect's story, the Trooper contacted the man's insurance agent and discovered the insurance policy for the motorcycle was purchased the same day as the alleged theft.

After further investigation by a VSP Insurance Fraud Special Agent, the fraudster

was arrested and charged with submitting a False Police Report and Attempting to Obtain Money by False Pretense. He was sentenced to six months on each misdemeanor charge with six months suspended. His insurance policy was rescinded and his premiums refunded.

SELLING FRAUDULENT INSURANCE PRODUCTS TO SENIORS LANDS VIRGINIA MAN IN PRISON

A former Chesapeake, Virginia man will be spending up to ten years in a Virginia state prison and five years in a federal prison for fraudulently selling insurance products to the elderly, using the stolen identity of two of his former employees, and bilking insurance companies out of hundreds of thousands of dollars.

A licensed insurance agent and financial consultant in the Hampton Roads area, this fraudster's privileges to conduct business as an insurance agent, securities agent and financial consultant had been permanently revoked in mid-2003 by the State Corporation Commission (SCC). The revocation was the result of a complaint filed by one of his victims in 2000.

However, the fact that he didn't have a valid license to sell insurance-related products didn't stop this crook from his practice of taking advantage of senior citizens. The VSP Insurance Fraud Unit in



IFP'S TRAVELING BILLBOARD — the "Sharp Eye" Ford Expedition — logged almost 10,000 miles around the commonwealth in 2007. It was driven to VIN etchings in conjunction with the Help Eliminate Auto Theft Program (H.E.A.T.), insurance company fraud awareness days, several Virginia State Police public safety days, and other special events.





Chesapeake was contacted by the SCC regarding the suspect's ongoing activities. A criminal investigation by the VSP revealed that the suspect was using the identity of former employees to fraudulently sell insurance products and annuities, as well as his financial planning services.

The VSP investigation uncovered approximately 20 victims of the fraudster's criminal activities, ranging in age from 58 to 85. Several victims also paid him consulting fees for services the SCC had prohibited him from conducting. In addition to victimizing the elderly, the suspect also scammed three insurance companies out of \$260,000 in commissions by fraudulently selling annuities for them.

According to the VSP, the suspect was able to carry out his illegal activities by using the identity of former employees. One such former employee, whose identity was used, faced action by the Internal Revenue Service for failing to pay income taxes on commissions she had allegedly earned, when in fact she never sold an insurance product in her life.

At the conclusion of the investigation by the VSP, the fraudster was extradited from North Carolina to Virginia to face 13 charges of Obtaining Money by False Pretense. He was convicted of a total of seven charges in the jurisdictions of Virginia Beach, Chesapeake and Portsmouth, which resulted in his being sentenced to the maximum of 20 years in prison on four of the charges — 80 years total. All but ten years were suspended, with 20 years of supervised probation upon release from prison.

Additionally, as a result of a joint investigation between VSP, the FBI and IRS agents, the criminal received five years in federal prison for Aggravated Identity Theft and Money Laundering. Assistant United States Attorney Robert J. Seidel, Jr. prosecuted the case for the United States.

WORKERS' COMP FRAUD BRINGS COUPLE 71 FELONY CHARGES

A Culpeper man and his wife supposedly tried to feather their pockets with fraudulent workers' compensation payments and false tax returns, but good investigative work by a VSP Insurance Fraud Agent brought an end to their crime spree.

The original notification received by the VSP indicated the suspect had fraudulently received \$700 in pay while receiving workers' compensation benefits. However, the investigation revealed the suspect had actually received \$26,051.70 in false workers' compensation benefits.

The suspect allegedly filed two workers' comp claims for back injuries — one in 2000 and one in 2005. He filed false "Claim for Benefit" forms in both instances and inflated his weekly wages in order to increase his benefits. The fraudster was charged by the commonwealth's attorney with 39 felony counts, including Obtaining Money by False Pretense and Filing False Workers' Compensation Form Claims.

In addition, the Department of Taxation's investigation revealed that the couple had allegedly filed false tax returns since 2001, and the commonwealth's attorney has brought 32 tax-related felony counts against the couple.

The fraudsters were arrested in April 2007. Their initial arraignment was in November 2007; another one is scheduled for February 2008.

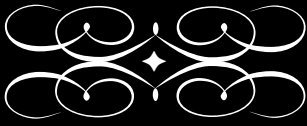
FRAUDULENT PRE-NEED CONTRACTS BURY FUNERAL HOME OWNER

The owner and operator of a funeral home in Duffield, Va., who took his clients' money but never purchased their pre-need, is facing a jury trial in 2008 on 57 felony and misdemeanor charges.

The suspect swindled almost \$100,000 from funeral home clients who thought they were purchasing pre-need funeral contracts. They were told their money would be placed in a trust within three days of signing the contract. When the funeral home went out of business, the clients began calling to find out the status of their funds and their pre-need funerals. That was when Virginia State Police investigators discovered the contracts had not been purchased and the money had never been placed in a trust fund.

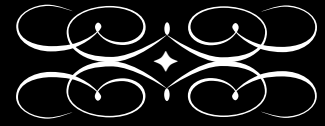
This fraudster has been charged with 25 felonies, including Obtaining Money by False Pretense, Forgery, False Statement and False Application. He is also charged with 32 misdemeanors related to Failure to Meet or Purchase Required Pre-Need Funeral Contract.

**DEPARTMENT OF STATE POLICE
INSURANCE FRAUD INVESTIGATION UNIT**



Financial Status Report

January–December 2007



BALANCE	January 1, 2007	\$7,401,891.33
Revenue:		
SCC–Rec'd July 2007	\$5,238,060.93	
TOTAL REVENUE		\$5,238,060.93
		<hr/>
		\$12,639,952.26
Disbursements:		
Personnel Services (Salaries & Fringes)	\$2,995,941.95	
Contractual Services (Postage, Telecommunications, Vehicle Repairs, Travel)	642,937.32	
Supplies & Materials (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies)	54,743.93	
Transfer Payments (Reward payments)	4,250.00	
Continuous Charges (Insurances, Office Rent)	158,295.46	
Equipment (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment)	803,864.40	
Plant and Improvements	37,738.00	
Cash Reversions	182,152.86	
TOTAL DISBURSEMENTS		\$ 4,879,923.92
		<hr/>
BALANCE	December 31, 2007	\$7,760,028.34



Virginia State Police
Bureau of Criminal Investigation

Insurance Fraud Program
P.O. Box 27472
Richmond, VA 23261-7472

1-877-62FRAUD(37283)
www.StampOutFraud.com