



2014

ANNUAL  
REPORT





**Colonel W. Steven Flaherty**  
Superintendent  
Virginia State Police

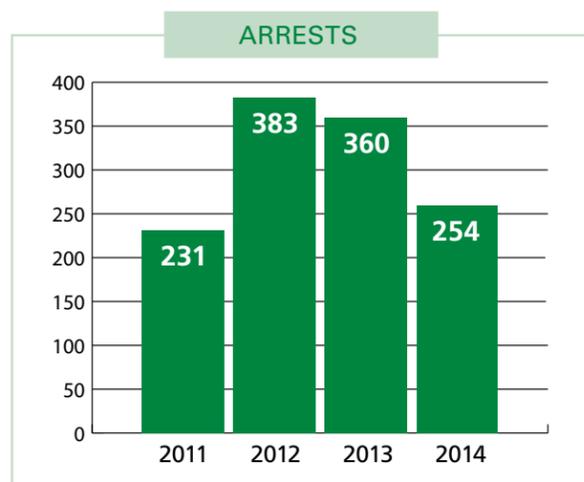
## Report From the Superintendent

The Virginia State Police (VSP) Insurance Fraud Program (IFP) is entering its seventeenth year, and continues to make significant strides against the crime of insurance fraud as the number of cases opened in 2014 surpassed the previous year's total.

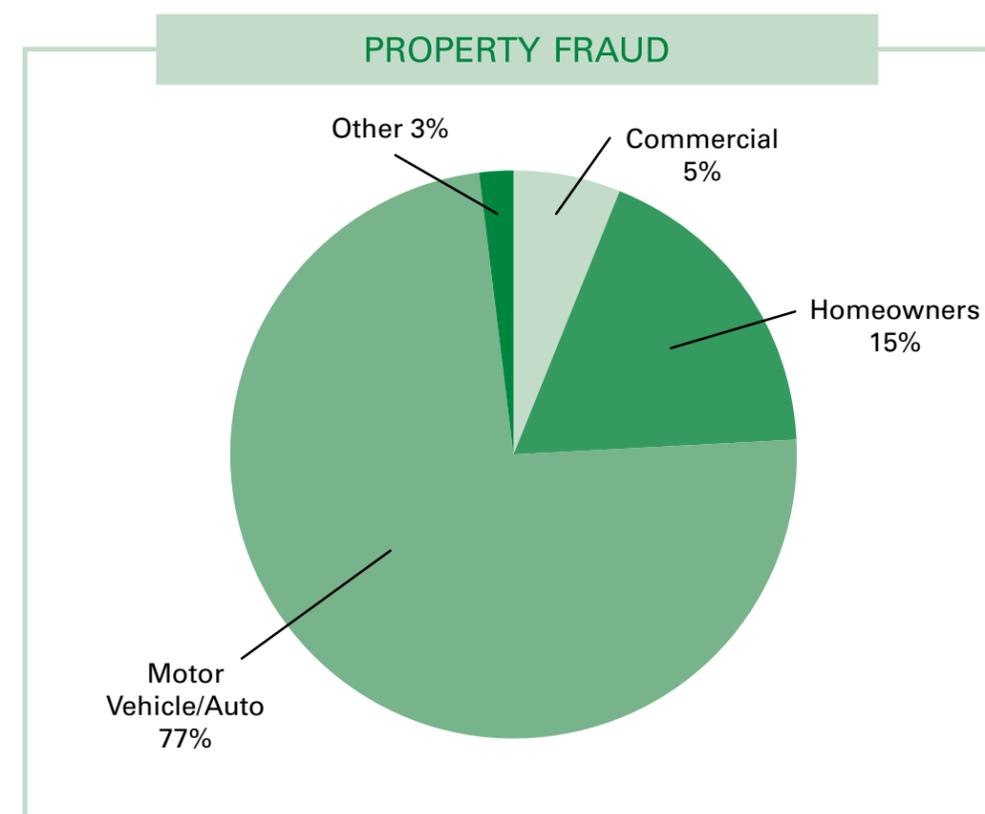
The impact of insurance fraud can be felt at all levels of the economy in Virginia. With the exception of tax evasion, no other white-collar crime robs Virginians more than insurance fraud.

In 2014, the IFP received 1,941 notifications of suspected insurance fraud. Since 1999, when the Program began, more than 23,000 referrals have been made to the VSP. Insurance fraud special agents opened 1,102 cases in 2014, which is more than double the number opened in 2013, and 254 arrests were made for insurance fraud and other related crimes.

Court-ordered restitution totaled more than \$631,000 in 2014, which brings the total amount of ordered restitution since the program began in 1999 to more than \$18 million. Suspected false insurance claims reported to the IFP since 1999, both attempted and collected, totaled more than \$169 million.

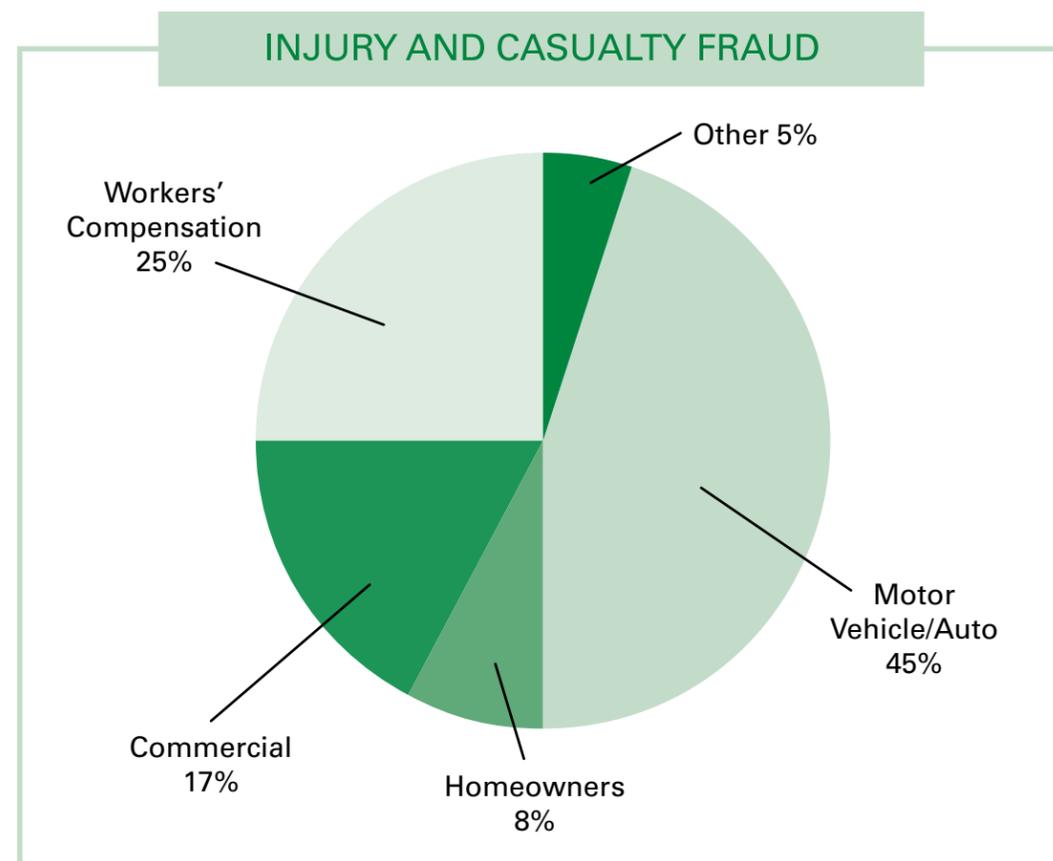


Over the years the program has been operating, 6,133 fraud investigations have been initiated, and agents have made a total of 3,082 arrests for insurance fraud. In 2014, the IFP presented 274 cases to the commonwealth's attorneys, which was more than double the number of cases presented in 2013.



As required by Virginia law, the VSP investigates suspected fraud in property and casualty lines of insurance, as well as suspected workers' compensation fraud. The 2014 statistics show 1,216 property fraud-related notifications were received by the IFP. Notifications involving injury and casualty fraud totaled 498, of which 25 percent were for worker's compensation claims. Vehicle fraud remains the largest percentage in both categories.

The IFP's sponsorship of the Red Flag Training Program continued for a fifth year, bringing together commonwealth's attorneys, VSP special agents and insurance company investigators to share information about investigating and prosecuting insurance fraud. The four-day training was coordinated by the Commonwealth's Attorneys Services Council.

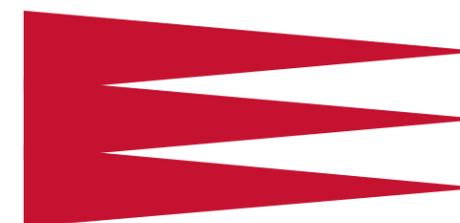


Governor Terry McAuliffe also issued a proclamation declaring the week of May 11, 2014, as Insurance Fraud Awareness Week. The proclamation was presented to the insurance industry at the Virginia Chapter of the International Association of Special Investigation Units (VA IASIU) Annual Seminar. Insurance Fraud Awareness Week has been recognized by Virginia’s governors since 2002.

We look forward to 2015 and continuing the successful fight against insurance fraud. The Virginia State Police would like to thank everyone who has contributed to our success. The Insurance Fraud special agents and analysts, the insurance industry, commonwealth’s attorneys and Virginia’s citizens are all to be commended for their efforts to stamp out fraud in the commonwealth. Working together, with a “sharp eye” for criminals, we can continue to Stamp Out Fraud in Virginia.

## The Red Flag Training – A Symbol of Unity Training for Investigators and Prosecutors

In 2010, an initiative was proposed to create a joint program to train insurance fraud investigators (SIU, NICB and VSP) and our Commonwealth Attorneys to work together in a team-based environment for the sole purpose of prosecuting insurance fraud. Following the model of the Virginia State Police’s highly-successful “Top Gun” narcotics program, this innovative strategy was officially named “Red Flag.”



### Red Flag

This tuition-free training, which is provided to prosecutors and investigators, has become the commonwealth’s annual, premier insurance fraud training event. This year is the fifth year for Red Flag, and Smith Mountain Lake was again chosen as the training site. Thirty-two students

attended the four-day training. Twelve investigators from the Virginia State Police Insurance Fraud Unit, ten insurance company investigators, and ten commonwealth’s attorneys participated in this training event.

During the four-day intensive training, classroom presentations were given by instructors from the insurance industry (SIU and NICB), VSP IFP special agents, commonwealth attorneys and other subject matter experts. During these presentations, many of our Red Flag students were surprised and impressed to learn about the skills and abilities that these disciplines bring to a criminal prosecution.

“Everything was 5 star! Even the weather held off one day!”

Over the course of the training, case studies were presented by the teams who actually worked the cases – the VSP special agent, the insurance investigator and



the commonwealth's attorney. Topics included workers' compensation, staged accidents and prior auto damage. The program's other lectures included the basics of insurance fraud investigations and fraud indicators, prosecution strategies and methods, criminal defenses and procedure, investigative resources, and social media.

**The results of this innovative program continue to be encouraging:**

- › SIU investigators are given the opportunity to showcase skills that allow us to protect corporate assets and work within the industry to fight insurance fraud in the civil courts.
- › Law enforcement and our commonwealth's attorneys demonstrate their ability to serve and protect the public by prosecuting offenders in the criminal courts. From these partnerships, SIU members gain a greater insight into the role that we play in this process.

Working together, our combined efforts make the Commonwealth of Virginia a better place to live and conduct business. In the follow-up evaluations, 100 percent of the respondents said the information provided in this training would be helpful to them in performing their job duties and would recommend Red Flag to their colleagues.

.....  
**“Great presentations & interactions,  
 food & accommodations were excellent  
 — could not have been better.”**  
 .....

Developed by the IFP, the Commonwealth Attorney's Services Council and the Virginia Chapter of the International Association of Special Investigation Units, the Red Flag training was made possible by a grant from the Virginia State Police Insurance Fraud Fund. The training was organized and presented by the Commonwealth's Attorneys Services Council with faculty representing all facets of law enforcement, the legal profession and insurance industry.

## Virginia Fraud Fighters Receive Recognition

Fourteen Virginia “Fraud Fighters” were recognized by the VSP Insurance Fraud Program during the Virginia Chapter of the International Association of Special Investigation Units (VA IASIU) Annual Fraud Seminar in Richmond. 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.

Nominees for the Fraud Fighters Awards came from the Virginia insurance industry, the law enforcement community and the offices the commonwealth's attorneys. The awards are based on the nominees' contributions to the Virginia insurance industry anti-fraud efforts, which include their involvement and contribution to investigations; prevention and proactive activities; enforcement; interaction with the insurance community; and financial impact by recoveries and restitution resulting from their fraud-fighting efforts.

### The recipients of the 2014 Fraud Fighters Award are:

**Senior Investigator Linwood Bennett, SCC Bureau of Insurance.**

His investigation into the fraudulent dealings of an insurance agent in Cumberland, Va. resulted in three felony charges. The crooked insurance agent was sentenced to two years for one count of Forgery, two years for one count of Uttering and two years for one count of Obtaining Money by False Pretenses, and was ordered to make full restitution of more than \$140,000.

**Senior Special Agent Terence P. Collins, VSP Insurance Fraud Unit.**

The fraudster in this case was filing false vehicle accident claims and false medical claims. He also stole the identity of a doctor and created false medical records. Collins obtained 54 state warrants for this crook. Consolidation of the investigation with the FBI resulted in federal charges of aggravated identity theft and two counts of wire fraud. He was convicted in federal court, sentenced to four years in prison and ordered to pay restitution.

**Sergeant Robert Jones, Nottoway County Sheriff's Office, Investigators Carla Keese and Jamie Walker, Virginia Farm Bureau, Senior Special Agent Chris Palicia, Virginia State Police, Special Prosecutor Nelson Fisher, Dinwiddie County Assistant Commonwealth's Attorney.** Their investigation into missing insurance funds from Poplar Lawn Baptist Church in Blackstone resulted in the pastor and a parishioner being found guilty of insurance fraud. This case is under appeal and no additional information is available.

**Special Investigator Patty Reynolds, Alfa Alliance Insurance Corp.,** was recognized for her contributions to fighting fraud. As an active member of the fraud fighting community, her fraud investigations have consistently resulted in more than \$500,000 of annual unpaid loss reserves due to fraudulent acts by policy holders. She initiated and drove her company's efforts to include an anonymous fraud reporting mechanism on their website that has resulted in multiple referrals to sister companies.

**Investigator Derrick McKenzie, Sussex County Sheriff's Office.** His investigative efforts led to an arrest for an attempted insurance fraud scheme. As a result, Virginia Farm Bureau cancelled the policy, and the fraudster was arrested and charged with an Attempt to Obtain Money by False Pretense and making a False Report to Law Enforcement.

**Investigator Chris Hudson, Halifax County Sheriff's Office.** A report to Virginia Farm Bureau of a theft of personal items, including scheduled jewelry on the policy, some electronics, money and a camera turned into insurance fraud. As a result of Hudson's investigation, the perpetrator was found guilty of Obtaining Money by False Pretense and sentenced to 10 years suspended and supervised probation for two years. She also has to make restitution in the amount of \$15,877.76.

**Senior Investigator Lee Rockey, Metlife, Assistant Commonwealth's Attorney Mark McKinney, Newport News.**

Working together these fraud fighters brought a staged accident ring to an inglorious end. Rockey's persistence in his interviews and his working relationship with law enforcement made these prosecutions possible and

successfully brought the beginning of the end to this staged accident ring. Ten fraudsters were charged with a combined 43 felonies. McKinney prosecuted each defendant separately and obtained guilty findings against all charged – bringing an end to the livelihood of these career criminals.

**Investigator Todd Jones, Virginia Farm Bureau, Senior Special Agent Wayne Isaac, Virginia State Police Insurance Fraud Unit.**

Virginia Farm Bureau received a claim on 17 steers struck by lightning, and the claim was documented by the veterinarian on the scene. Investigation revealed no lightning strikes in the area, and the vet's report was proven fraudulent. The insured ultimately withdrew his claim, and the vet pleaded guilty to attempting to Obtain Money by False Pretense and was sentenced to six months unsupervised probation.

## Distinguished Service Award for IFP Team Member



VA IASIU presented a special award during their Annual Fraud Seminar in Richmond, honoring Pamela Jewell. The prestigious Robert J. Covington Distinguished Service Award recognizes an individual's contributions to the insurance industry, their insurance company, the community and the VA IASIU. Jewell joined the Virginia State Police in 2003 as the public relations manager for the Insurance Fraud Program.

*Pamela Jewell with the prestigious Covington Award.*

## Sharp Eye Reward Fund Update

The Sharp Eye Reward reached the ten-year anniversary in 2014, awarding a total of \$86,250 to 26 recipients in 23 cases. In 2014, one \$1,000 reward was paid out.



Established in 2004 to encourage citizens to report suspected insurance fraud, the Sharp Eye Reward Program pays up to \$25,000 for information leading to the arrest of an individual or individuals who commit insurance fraud in the commonwealth of Virginia.

Applications for rewards can be submitted by insurance companies, local and federal law enforcement, as well as state police.

The Reward Committee was restructured in 2014 to include all 13 members of the Superintendent's Help Eliminate Auto Theft and Insurance Fraud Programs Advisory Board. The Board, comprised of members from the VSP, the insurance industry, local law enforcement, and a commonwealth's attorney evaluate the nominations to determine if applicants are eligible to receive a reward, as well as the reward amount.

### The reward amount is based on the following criteria:

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

Only property and casualty lines of insurance are addressed by the Reward 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 each source of information.

The final determination on the Sharp Eye Reward is made by the VSP Superintendent.

## Public Awareness Activities Keep Fraudsters on Their Toes

One of the components of the Insurance Fraud Program's fight against white collar crime is public awareness, which continues to play an important role in reaching out to Virginia's citizens. The promotion of the "Sharp Eye" reward, the website, social media and promotional materials are all tools for educating the commonwealth's citizens about insurance fraud – how to keep from being victimized and the consequences of committing insurance fraud.

As part of the IFP's on-going public awareness campaign, the Pay-Per-Click banner advertising for StampOutFraud.com, continued to be an effective method of driving traffic to the website. This was the only paid advertising conducted for 2014.

Pay-Per-Click banner advertising allows the website to achieve cost-effective exposure on major search engines such as Google, Yahoo and MSN. From Feb. 7, 2014, when the campaign began, through March 17, 2014, the number of total impressions for the ads was greater than 4.5 million, with more than 3,477 click-throughs, which produced a click-through-rate (CTR) of 0.08 percent. The average CTR for all industries and sizes is .05 percent.

In 2014, the number of visits to StampOutFraud.com was 6,699 which resulted in a total of 16,996 page views. An average of 2.54 pages was visited per visitor, and new visits accounted for 63.8 percent of the visitors. The website experienced the highest visitation during the months of February and March as a result of the banner ads, described above, which directed viewers to the website to take a quiz and win a prize.



The IFP also continued the "Fraud Facts" email newsletter that is distributed to sheriffs, chiefs of police and other law enforcement; commonwealth's attorneys; and the insurance industry. The newsletter keeps the fraud fighting community up-to-date on the IFP's activities and how they can participate as well as provide links to other websites with need-to-know and good-to-know information.

During 2014, the IFP distributed nine news releases to in-state media as well as trade media. Topics included Insurance Fraud Awareness Week, Fraud Fighter Awards, Tips for the Holidays and insurance fraud cases. As a result of direct media calls, NBC12 did a story about a Richmond case and the agents in Division 4, Wytheville, were featured in an on-line article, Financial Matters. In addition, SIU e-News covered Virginia's Red Flag Training.

This year, the IFP conducted training at several venues around the state including Red Flag training and Crime Prevention at the VSP Academy. A total of 29 presentations were made in 2014. In addition to training and presentations,

the Ford Expedition, which displays the insurance fraud and reward message, could be seen at exhibits and VIN etchings in conjunction with the Help Eliminate Auto Theft Program (H.E.A.T.), insurance company fraud awareness days, and other special events.

## Success Stories for 2014

The following cases highlight a few of the Virginia State Police insurance fraud victories of 2014 and illustrate the types of insurance fraud cases investigated by the department.

### False Vehicle Accident Claims Lead to Identity Theft and Wire Fraud Convictions

VSP Insurance Fraud Senior Special Agent Terence P. Collins played an important role in bringing a twice-convicted fraudster to justice. The fraudster in this case was filing false vehicle accident claims and false medical claims. He also stole the identity of a doctor and created false medical records.

Collins obtained a total of 54 state warrants for this crook including Obtaining Money by False Pretense and identity theft. Consolidation of the investigation with the FBI and the VSP resulted in federal charges of aggravated identity theft and two counts of wire fraud. He was convicted in federal court, sentenced to four years in prison and ordered to pay restitution.

### Crooked Preacher Defrauds Virginia Farm Bureau

A Nottoway County preacher was brought to justice for defrauding Virginia Farm Bureau Insurance Company. Sergeant Robert Jones with Nottoway County Sheriff's Office, responded to a complaint about missing insurance funds from Poplar Lawn Baptist Church in Blackstone.

**Virginia Insurance Fraud Program posts annual report**

By [IFAWebnews Staff](#)  
Posted: March 31, 2014

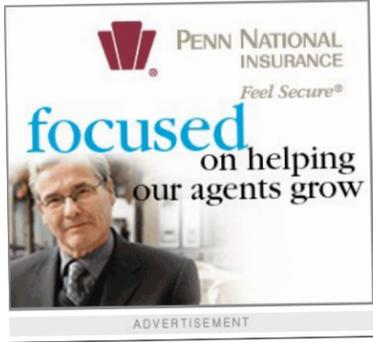
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**PRESS RELEASE:** *The following content has been reprinted in whole or part from a government-supplied press release.*

The number of notifications received for the crime of insurance fraud slightly increased, and the arrests for insurance fraud and other related crimes such as arson, forgery and uttering are holding steady, according to the recently released 2013 annual report from the Virginia State Police Insurance Fraud Program.

In 2013, the IFP received 1,994 notifications of suspected insurance fraud, just slightly more than the number of notifications received in 2012. Since 1999, when the insurance fraud unit was formed, more than 21,000 referrals have been made to the VSP. Insurance fraud special agents opened 457 cases in 2013, which is consistent with the number of cases opened in 2012, and made 360 arrests for insurance fraud and other related crimes.



ADVERTISEMENT

Virginia Farm Bureau investigators Carla Keesee and Jamie Walker reviewed all of the insurance claims and VSP Senior Special Agent Chris Palicia followed the accounting trail.

Working with the Farm Bureau Claims Department and the Nottoway Sheriff's Office, the State Police obtained enough facts to help Nelson Fisher, Dinwiddie County's Assistant Commonwealth's Attorney serving as a special prosecutor in Nottoway, bring the case to justice.

## Virginia Insurance Agent Charged with Identity Theft and Fraud

A southwest Virginia insurance agent has been arrested by the Virginia State Police Insurance Fraud Unit for supplementing his personal income with commissions from fraudulent supplemental insurance policies.

The fraudster is accused of creating fictional identities and opening fraudulent insurance policies using those identities. He was an agent for AFLAC, which sells supplemental insurance. According to VSP Senior Special Agent Wayne Isaac, who handled the investigation, AFLAC would provide the agent with a commission for each policy he opened, believing the policies were legitimate.

The perpetrator has been charged in Wise County Circuit Court with three Felony counts of Identity Theft, 18 Felony Forgeries, 31 Felony Embezzlements and five Misdemeanor Embezzlements. The total loss is between \$10,000 and \$15,000.

## Nelson County Woman to Serve Six Years for Arson and Insurance Fraud

A Nelson County resident was sentenced to six years and three months in prison after she was found guilty earlier this year of arson and insurance fraud.

She had been under investigation for arson and insurance fraud by the Virginia State Police Bureau of Criminal Investigation's Appomattox Field Office for the past five years. She was charged with Arson and Obtain Money by False Pretense for fires in August 2009, February 2012 and May 2013. In the August 2009 fire, she was also charged with first degree murder, of which she was acquitted.

She was found guilty in March 2014 on two counts of Obtaining Money by False Pretense, one count of Attempt to Obtain Money by False Pretense and two counts of Arson. Judge J. Michael Gamble, Nelson County Circuit Court, sentenced her to five years on each of the arson charges and five months on the Obtain Money by False Pretense charges to run concurrently for a total sentence of six years and three months. When she is released in six years, she will have a five-year suspended sentence conditioned on her being on probation for 20 years.

In addition to being fined \$3,000, Blackwell will also have to make restitution of more than \$350,000 to Liberty Mutual Insurance Company. The case was investigated by Virginia State Police special agents Gary Hack, Brian Childress and Fred Solomon and prosecuted by Nelson County Commonwealth's Attorney Anthony D. Martin.

# Insurance Fraud Program Activity Report

January 1, 2014, through December 31, 2014

# DEPARTMENT OF STATE POLICE Insurance Fraud Investigation Unit Financial Status Report

January–December 2014



1. Number of notifications received	1,941
2. Number of notifications sent to unopened case file	551
3. Number of investigations initiated	1,102
4. Number of notifications referred to other BCI divisions	1
5. Number of notifications referred to other agencies	22
6. Number of cases involving property fraud	1,216
A. Motor Vehicle/Auto	940
B. Homeowners	179
C. Commercial	61
D. Other	36
7. Number of cases involving injury/casualty fraud	498
A. Motor Vehicle/Auto	225
B. Homeowners	39
C. Commercial	86
D. Workers' Compensation	125
E. Other	23
8. Number of cases of actual fraud (collected)	232
9. Number of cases of attempted fraud	919
10. Total amount of claimed loss (collected)	\$3,452,891.90
11. Total amount of claimed loss (attempted)	\$6,572,298.70
12. Number of cases presented to commonwealth's attorneys	274
13. Number of cases adjudicated	175
14. Number of arrests for insurance fraud	182
15. Number of convictions for insurance fraud	67
A. Felonies	35
B. Misdemeanors	32
16. Number of arrests for related offenses	72
17. Number of convictions for related offenses	56
18. Amount of restitution ordered	\$631,638
19. Number of fraud awareness presentations	29
20. Number of persons contacted	1,786

Balance	January 1, 2014	<b><u>\$4,304,055.50</u></b>
<b>Revenue &amp; Cash Reversions:</b>		
SCC-Rec'd July 2014	\$5,605,709.85	
Interest Earned	\$27,986.62	
<b>Revenues Received</b>		<b><u>\$5,371,124.43</u></b>
<b>Total Revenue</b>		<b><u>\$5,633,696.47</u></b>
<b>Disbursements:</b>		
<b>Personnel Services</b> (Salaries & Fringes)	\$3,863,380.60	
<b>Contractual Services</b> (Postage, Telecommunications, Vehicle Repairs, Travel)	\$462,089.63	
<b>Supplies &amp; Materials</b> (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies)	\$62,876.00	
<b>Transfer Payments</b> (Reward Payments)	\$13,971.00	
<b>Continuous Charges</b> (Insurances, Office Rent)	\$202,502.20	
<b>Equipment</b> (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment)	\$172,248.50	
<b>Plant and Improvements</b>	-	
<b>Total Disbursements</b>		<b><u>\$4,777,067.93</u></b>
Balance	December 31, 2014	<b><u>\$5,160,684.04</u></b>



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