



**2015**  
**ANNUAL  
REPORT**

**STAMP OUT  
FRAUD**

**VIRGINIA STATE POLICE  
INSURANCE FRAUD PROGRAM**





Colonel  
W. Steven Flaherty  
Superintendent  
Virginia State Police

## Report from the Superintendent

It was another busy year for the Virginia State Police Insurance Fraud Program (IFP), which received 2,200 notices of suspected insurance fraud — 259 more than the previous year — and saw courts order \$275,009 in restitution.

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**Since its inception in 1999, the IFP has received more than 25,000 notices of suspected insurance fraud and court-ordered restitution has surpassed \$18 million.**

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In addition to numerous investigative successes, some of which are detailed in this report, the IFP continued to make progress on the administrative side: six vacant positions were filled; plans progressed for additional office space; and new marketing representation was acquired.

Insurance fraud happens more often than people realize, and it is not a victimless crime. The notion that it is okay to cheat insurance companies is just plain wrong. The more money fraudsters take from insurance companies, the higher the premiums climb for everyone. That is ultimately money out of your pocket, which is why the IFP is committed to teaching citizens how to recognize and report suspected fraud. The program does not just do great work combating fraud, but it also works hard to better serve the public from an awareness and prevention standpoint.

Difficult and ongoing is the fight against fraud, but with the help of IFP special agents and analysts, the insurance industry, commonwealth's attorneys and citizens, together we can Stamp Out Fraud.

Sincerely,  
Colonel W. Steven Flaherty

## IFP selects Charles Ryan Associates to lead marketing efforts

On Jan. 27, 2015, the Virginia State Police Insurance Fraud Program selected Charles Ryan Associates (CRA) as its new advertising agency.

CRA is tasked with developing and implementing all advertising, branding, digital, and marketing and communications strategies for the IFP and the VSP Help Eliminate Auto Theft (HEAT) program. CRA also assists with coordination of award ceremonies, community events and conferences.

“Charles Ryan Associates offers a fresh perspective,” said First Sgt. Steve Hall, IFP and HEAT coordinator. “They bring a lot of new ideas to the table.”

Two such ideas were introduced on Aug. 11, 2015, when CRA rolled out new logos for the IFP and HEAT brands. It was the first rebranding effort for both programs.

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**“CRA hit the ground running.  
The new logos look great.”**

— First Sgt. Steve Hall  
IFP and HEAT Coordinator

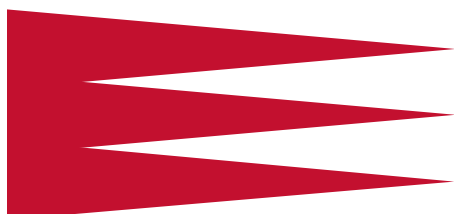
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Hollie Hess, CRA senior account executive, said her agency is proud of its partnership with the Virginia State Police and honored to have been selected to represent the HEAT and IFP brands.

“Moving forward,” Ms. Hess said, “we are excited to continue to gain awareness for and engagement with both programs through an integrated communications plan that, in addition to digital [media], covers branding, advertising and public relations activities.”

CRA is an award-winning, full-service advertising agency with offices in downtown Richmond and Charleston, W.V. Its clients include the D.C. Lottery and Charitable Games Control Board and the Richmond Region Tourism.

## Red Flag successful once again



### Red Flag

For the sixth consecutive year, the Red Flag program brought together commonwealth's attorneys, insurance fraud investigators and Virginia State Police personnel for four days of instruction and collaboration.

Presenters at the 2015 IFP-funded program included VSP special agents, National Insurance Crime Bureau special agents, insurance industry special investigators and commonwealth's attorneys.

Especially beneficial to Red Flag participants were the breakout sessions, which brought together 39 commonwealth's attorneys, law enforcement representatives and insurance industry investigators to work together on case studies.

"The breakout sessions were informative because they detailed what each participant's role in an insurance fraud investigation is," one participant wrote in a course evaluation at the conclusion of Red Flag.

Another attendee said it was refreshing to see first-hand exactly what capabilities other professionals have when investigating insurance fraud.

Red Flag is offered at no charge to attendees and includes classroom instruction, scenario exercises and invaluable networking opportunities.

## IFP offers grant funding to VAIASIU

For the second consecutive year, the Virginia State Police Insurance Fraud Program (IFP) provided grant funding to the Virginia Chapter of International Association of Special Investigation Units (VAIASIU) for its annual seminar in Richmond.

The IFP subsidized \$27,125 to cover the first 155 attendees' registration fees for the 2015 event, and attendance increased 46 percent from the previous year. The IFP will again provide grant funding in 2016 to cover registration fees for the first 170 attendees.

Founded in 1992 by insurance industry fraud investigators, the VAIASIU is a non-profit organization dedicated to promoting a coordinated effort within the industry to combat insurance fraud.

## Cash for tips

The IFP offers rewards of up to \$25,000 for information leading to the arrest of individuals who commit insurance fraud in Virginia. Anonymous reports can be made at StampOutFraud.com or by calling 1-877-62FRAUD.

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**Since 2004,**  
**IFP has awarded \$86,250**  
**to 26 recipients in 23 cases.**

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Reward amounts are based on the importance of the information, the nature of the crime, the risk to the source and the importance of the witness.



## Report crime on-the-go

Use our mobile-friendly form to report suspicious behavior anytime from anywhere.

## First Sgt. Steve Hall, IFP Coordinator, earns IASIU service award

In April 2015, The Virginia Chapter of the International Association of Special Investigation Units honored **Virginia State Police First Sgt. Steve Hall** with the **Robert J. Covington Distinguished Service Award**.



### About First Sgt. Steve Hall

First Sgt. Hall is a 31-year VSP veteran and has served as the Insurance Fraud Program coordinator since 2011. He was recognized by VAIASIU for his outstanding leadership and commitment to the fight against insurance fraud.

The award is named for the late Robert J. Covington, who served as associate vice president for Virginia Mutual Insurance and was instrumental in the formation of the VAIASIU.

## 2015 Fraud Fighters Award winners

Since 2005, the Virginia State Police Fraud Fighters Award program has recognized those who go the extra mile to Stamp Out Fraud. Nominees are judged on a variety of factors, including the actions taken to proactively prevent insurance fraud and a proven commitment to assisting the insurance community in fighting fraud. In 2015, the Fraud Fighters Award program recognized 16 law enforcement employees, commonwealth's attorneys and insurance industry employees whose efforts helped reduce property fraud, casualty fraud or workers' compensation insurance fraud.

### **Liberty Mutual's Kevin Eggleston and Andrew Eaglen, Nelson County Commonwealth's Attorney Anthony Martin, VSP**

**Special Agent B. Keith Childress:** Four fires in four years at a single residence left one person dead and another seriously injured. Liberty Mutual's Mr. Eggleston and Mr. Eaglen saw red flags during the claims processes and provided SA Childress with evidence that he used to build a case with. This information was presented to Commonwealth's Attorney Martin, whose prosecution resulted in an arson conviction. The offender was sentenced to 11 years, three months in prison (five years suspended). The offender also was ordered to pay a \$3,000 fine and \$353,000 in restitution.

**VSP Special Agent Ronald Ravensbergen:** SA Ravensbergen investigated a case in which the offender claimed a minor injury, went to the emergency room, and when the medical costs were billed, the offender falsified the bill by adding an ambulance service fee of \$250. Upon further investigation, SA Ravensbergen learned the offender had pulled the same stunt 15 times. It was also learned that the offender was a habitual criminal and had eluded police for some time. SA Ravensbergen coordinated with the United States Marshalls Service to arrest the offender, who was ordered to serve one year in a penitentiary and required to pay \$3,800 in restitution.

**VSP Senior Special Agent Wayne Isaac:** SSA Isaac helped expose an insurance agent who was generating fraudulent policies. The insurance agent was convicted of 48 felonies and ordered to pay nearly \$10,000 in restitution. In another of SSA Isaac's investigations, two brothers were sentenced to five years in prison and were jointly responsible to pay more than \$26,000 in restitution after falsely reporting having been victims of three separate breaking and entering incidents at their private business.

### **VSP Special Agent Terence Collins and Virginia Bureau of Insurance Senior Investigator Thomas MacKnight:**

SA Collins received a case from the City of Richmond Police Department, which after investigating a homicide at a non-registered boardinghouse found a life insurance policy to be suspicious. SA Collins' research revealed that the suspect was linked to thirteen deaths and had obtained money from 45 property and casualty claims. SA Collins recruited the assistance of Mr. MacKnight. When the two interviewed Jackson, he admitted to fraudulently obtaining life insurance policies worth a total of \$250,000 for the boardinghouse homicide victim and seven others. The fraudster was convicted of obtaining money by false pretense.

### **Rappahannock Sheriff's Investigator Shawn Walters and Rappahannock Commonwealth's Attorney Art Goff:**

Investigator Walters and Commonwealth's Attorney Goff worked to obtain warrants on a man who forged signatures on insurance Proof of Loss documents. The man ultimately pleaded guilty to three felonies and was ordered to pay restitution of more than \$6,500.

### **Commonwealth's Attorneys' Services Council Staff Attorney**

**Larry A. Martin:** Mr. Martin has been instrumental in the organization and success of the Red Flag Insurance Fraud training program since its inception in 2010. Red Flag brings together commonwealth's attorneys, law enforcement and insurance industry investigators to highlight the problems associated with successful prosecution of insurance fraud in the commonwealth.

### **VSP Special Agent Terry Marshall:**

Acting on a tip from the West Virginia authorities, SA Marshall recovered a stolen Ford work truck and arrested the thief. The investigation led SA Marshall to a salvage yard, where he recovered more than \$50,000 in welding equipment that had been reported stolen. SA Marshall also is active in educating civic organizations on how to deter insurance fraud.

VIRGINIA STATE POLICE  
**INSURANCE FRAUD PROGRAM**

**FRAUD**  
*Fighters*  
AWARD



## VSP Trooper Daniel House and former Franklin County

**Commonwealth's Attorney Patrick Nix:** For nine months, Trooper House investigated an incident that he said just did not add up. The owner of a pickup truck reported that he ended up in a lake when he swerved to avoid a deer. Trooper House gathered evidence to the contrary and was able to show instead that the accident had been staged. The truck's owner was indicted on a charge of Attempting to Obtain Money by False Pretense, and then-Commonwealth's Attorney Nix's prosecution resulted in a guilty verdict. The driver was ordered to pay more than \$4,000 in fines and court costs, and the insurance company was able to deny the \$22,000 claim.

**VSP Special Agent Joey Straughan:** SA Straughan foiled a scam in which the offender submitted multiple faxes and letters to AFLAC Insurance claiming to be from an orthopedic doctor's office. In the letters, it was indicated that the offender was being treated and could not report for work. SA Straughan revealed that the documents were forgeries and the offender had never been seen by a doctor or physical therapist. SA Straughan presented the case to the courts, and the offender was sentenced to 10 years in the penitentiary (nine suspended) and ordered to pay more than \$52,000 in restitution to AFLAC.



## Allstate Special Investigator

**Michael F. Burton:** Mr. Burton is a former two-term president of the Virginia Chapter of the International Association of Special Investigation Units and a published author for SIU Today. He currently serves on the Virginia State Police Insurance Fraud Program advisory board and is an invaluable asset in the fight against insurance fraud.

## More IFP success stories

### Division 2 (Culpeper):

Springleaf Financial and Merit Life Insurance Company brought forward a complaint alleging that two disability documents were submitted in an attempt to obtain money by false pretenses. Special Agent Shawn McCurry was assigned to the case. The suspect in the case submitted documents under disability insurance connected to a financial loan that had been taken out by her daughter. The daughter was not aware of the scam and the claims were ultimately denied. The suspect said she submitted the two disability forms in her daughter's name in order to help her through a financial hardship. SA McCurry presented the case to the commonwealth's attorney office as the submission of the forms was an attempt to obtain money from an insurance company under false pretenses. The suspect also forged a doctor's signature on the forms. The suspect ultimately pled guilty to two felony counts of Attempting to Obtain Money by False Pretense in Rockingham County Court.

### Division 3 (Appomattox):

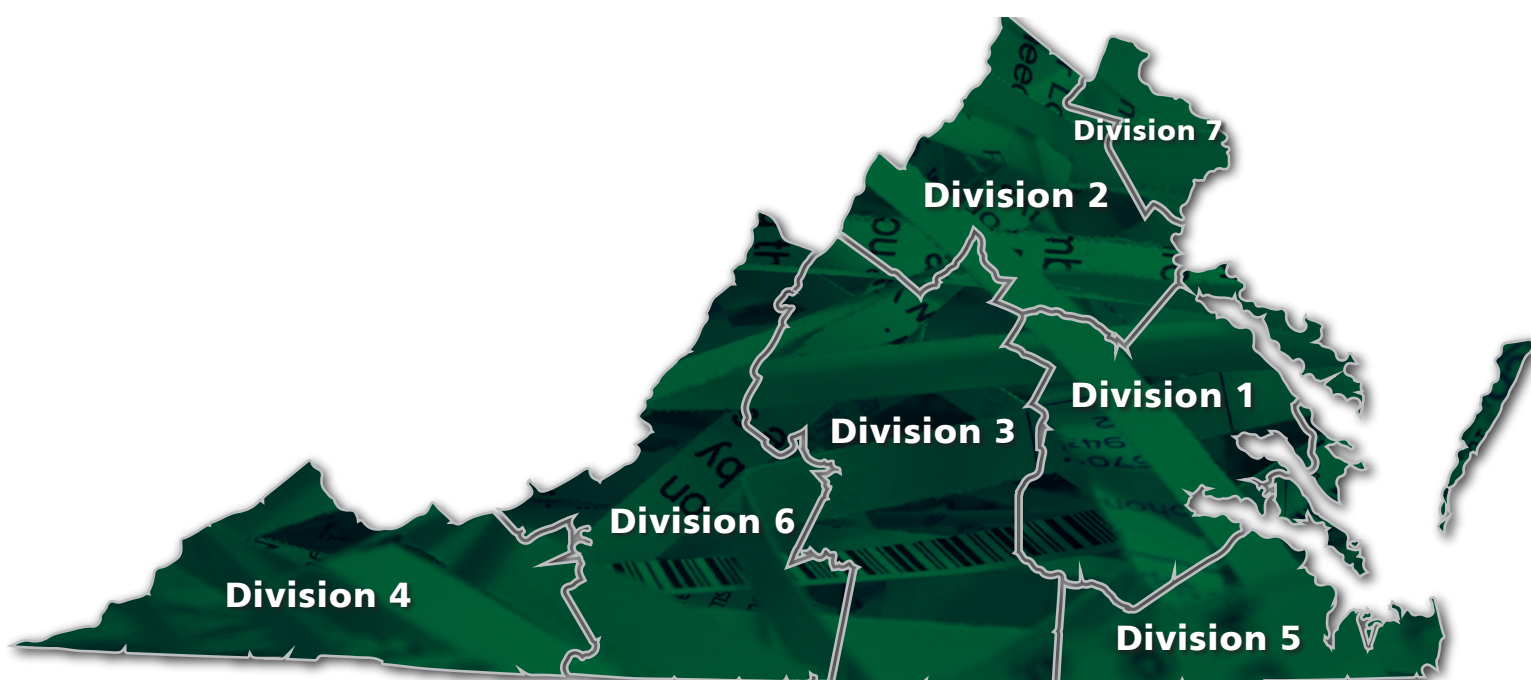
Virginia State Police Senior Special Agent Fred Solomon received notification from Nationwide Insurance alleging that a Nationwide employee committed insurance fraud after being in an auto accident. On March 29, 2014, the suspect only had liability and comprehensive coverage on his vehicle. At 2:25 p.m. the same day, he added collision coverage to the vehicle with a \$100 deductible. He then filed a claim with Nationwide indicating he struck a street sign eight hours after adding the collision coverage to his vehicle. He also added collision coverage to his wife's vehicle, but the deductible was \$1000. The estimate to repair the vehicle was \$2,206.79. The investigation revealed the suspect had wrecked in Amherst county on March 29 at 1:57 p.m., prior to adding the collision coverage to his vehicle. SSA Solomon investigated the case and arrested the suspect on June 11, 2015, for felony attempt to obtain money by false pretense. On Aug. 4, the suspect pleaded guilty to a reduced misdemeanor charge and was sentenced to 12 months in jail with 10 months suspended.

## Division 6 (Salem):

Virginia State Police Senior Special Agent Harvey Spahr, acting on a tip from Aflac Insurance, learned that a policy holder was paid approximately \$70,000 over a two-year period for 10 fraudulent claims, including one cancer claim. Thanks to SSA Spahr's investigation, the suspect was arrested and indicted on 13 counts of Obtaining Money by False Pretense and one charge of Attempting to Obtain Money by False Pretense. The case has yet to be tried.

## Division 7 (Fairfax):

A criminal complaint to the Fairfax Field Office alleged that a local insurance company employee was embezzling premium payments from business insurance/workers' compensation policies. Allegations claimed the employee would initiate but never activate original policies for some customers. Instead, the employee would steal the insurance premium payments. An investigation by Senior Special Agents Durwin Powell and Gary Straub uncovered at least eight victims and a cumulative loss of approximately \$50,000. The suspect has been charged with Embezzlement, Forging and Uttering and Obtaining Money by False Pretenses. The case has yet to be tried.



# Insurance Fraud Program Activity Report

January - December 2015

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1. Number of notifications received	<b>2,200</b>
2. Number of notifications sent to unopened case file	<b>4</b>
3. Number of investigations initiated	<b>660</b>
4. Number of notifications referred to other BCI divisions	<b>1</b>
5. Number of notifications referred to other agencies	<b>1</b>
6. Number of cases involving property fraud	<b>1,448</b>
A. Motor vehicle/auto	<b>1,165</b>
B. Homeowners	<b>172</b>
C. Commercial	<b>45</b>
D. Other	<b>66</b>
7. Number of cases involving injury/casualty fraud	<b>500</b>
A. Motor vehicle/auto	<b>268</b>
B. Homeowners	<b>37</b>
C. Commercial	<b>71</b>
D. Workers' compensation	<b>88</b>
E. Other	<b>36</b>
8. Number of cases of actual fraud (collected)	<b>228</b>
9. Number of cases of attempted fraud	<b>1,124</b>
10. Total amount of claimed loss (collected)	<b>\$21,230,896</b>
11. Total amount of claimed loss (attempted)	<b>\$19,661,777</b>
12. Number of cases presented to commonwealth's attorneys	<b>92</b>
13. Number of cases adjudicated	<b>122</b>
14. Number of arrests for insurance fraud	<b>88</b>
15. Number of convictions for insurance fraud	<b>87</b>
A. Felonies	<b>57</b>
B. Misdemeanors	<b>30</b>
16. Number of arrests for related offenses	<b>15</b>
17. Number of convictions for related offenses	<b>12</b>
18. Amount of restitution ordered	<b>\$275,009</b>

# Department of State Police

## Insurance Fraud Program

### Financial Status Report

January - December 2015

2015

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FRAUD

VIRGINIA STATE POLICE  
INSURANCE FRAUD PROGRAM

Balance	January 1, 2015		<u>\$ 5,160,684.04</u>
Revenue & Cash Reversions:			
	SCC-Rec'd July 2015	\$ 5,855,856.07	
	Interest Earned	\$ 33,397.47	
	<b>Revenues Received</b>		<u>\$ 5,889,253.54</u>
	<b>Cash Reversions</b>	(1,852,215.00)	
	<b>Total Revenue</b>		<u>\$ 4,037,038.54</u>
Disbursements:			
	<b>Personnel Services</b> (Salaries & Fringes)	\$ 3,212,268.86	
	<b>Contractual Services</b> (Postage, Telecommunications, Vehicle Repairs, Travel)	506,829.52	
	<b>Supplies &amp; Materials</b> (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies)	73,371.27	
	<b>Transfer Payments</b> (Reward payments)	12,764.00	
	<b>Continuous Charges</b> (Insurances, Office Rent)	235,408.52	
	<b>Equipment</b> (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment)	314,539.82	
	<b>Plant and Improvements</b>	-	
	<b>Total Disbursements</b>		<u>\$ 4,355,181.99</u>
Balance	December 31, 2015		<u>\$ 4,842,540.59</u>