

# STAMP OUT FRAUD

VIRGINIA STATE POLICE  
INSURANCE FRAUD PROGRAM

## 2016 Annual Report

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

# Report from the Superintendent

Insurance fraud is an unfortunate reality that law enforcement deals with regularly. More than \$21.7 million in fraudulent insurance claims were collected in Virginia in 2016, and insurance fraud is estimated to cost Americans more than \$80 billion each year.

That is why the Virginia State Police Insurance Fraud Program (IFP) continues to march forward in its mission to Stamp Out Fraud. Since 1999, the IFP has been bringing attention to the issues associated with insurance fraud by conducting investigations and training law enforcement.

The IFP also provides a great deal of public outreach. In order for citizens to recognize and prevent insurance fraud, they must first understand what it is. Insurance fraud occurs when a person obtains or attempts to obtain money or signature by false pretense. Casualty, property and workers' compensation are some common categories of insurance fraud.

The negative financial effect that insurance fraud has on everyone comes as a surprise to many. The more money fraudsters bilk from insurers, the more people end up paying in increased premiums. Those who commit insurance fraud are ultimately taking money out of your pocket.

Take the following investigation, for example. Virginia State Police Special Agent David Walker, acting on a referral from an insurance company, learned that a policy holder had altered a dental office invoice from \$510 to \$2,510 and submitted the fraudulent invoice to the insurance company for payment. The insurance company paid the legitimate portion of the claim but questioned the fraudulent amount. SA Walker conducted a thorough investigation into the suspected fraud and eventually arrested the suspect on one count of Attempting to Obtain Money by False Pretenses and one count of Forgery. Thanks to SA Walker's investigation, the suspect was convicted and sentenced to jail time. Had this fraudulent claim gone unchecked, the suspect could have made off with \$2,000.

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This is just one example of the 542 investigations the IFP initiated in 2016. Attempted insurance fraud exceeded \$9.8 million, and IFP investigations resulted in \$229,039 in restitution.

Citizens can join law enforcement in pushing back against insurance fraud. Anyone with knowledge of suspected insurance fraud can submit an anonymous tip by logging onto [StampOutFraud.com](http://StampOutFraud.com) or calling (877) 62-FRAUD. Tips that lead to arrests can potentially earn an award of up to \$25,000.

With the help of the commonwealth's attorneys, citizens and the insurance industry, the Virginia State Police Insurance Fraud Program can Stamp Out Fraud in Virginia.

Sincerely,



Colonel W. Steven Flaherty





**\$21,760,423**

*fraudulent insurance claims*

were collected in Virginia in 2016



There was

**\$9,803,475**

in attempted insurance fraud  
and investigations resulted in

**\$229,039**

in restitution

**17**

years of service since  
Stamp Out Fraud was  
*created in 1999*

IFP initiated

**542**

*investigations*

in 2016



# Marketing and Public Awareness

**Insurance fraud isn't the easiest crime for citizens to spot, which is why the IFP works diligently to spread awareness through a well-organized marketing campaign that includes targeted digital media and recurring public appearances.**

The IFP website, StampOutFraud.com, provides a number of resources for preventing, recognizing and reporting insurance fraud, and the IFP Facebook page has more than 2,600 followers.

There was a push in 2016 to reinvigorate the IFP YouTube page, and by releasing two 30-second commercials through the Google video ad partner network, the program grew its digital footprint by more than 50,000 views in four months. The Google video ad partner network spans more than two million websites and reaches more than 90 percent of Internet users. In the commercials, child actors play out scenarios in which they pretend to commit insurance fraud. View the videos at StampOutFraud.com.

The IFP's digital efforts complement its traditional outreach efforts, which still prove to be highly effective. Distributing brochures and promotional items and speaking at various events throughout the year allow IFP staff to engage with individuals and find new opportunities to spread awareness. The IFP continues to offer a reward 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.



More than

**2,600**

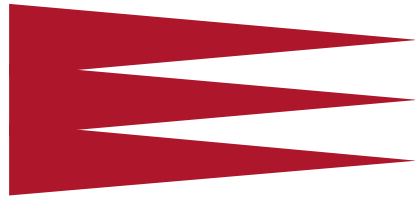
FOLLOWERS



IFP grew its digital footprint

**50,000 views**

# Funding and Training Opportunities



## Red Flag

Developed by the IFP, the Commonwealth's Attorneys' Services Council and the Virginia Chapter of the International Association of Special Investigation Units, the Red Flag program is made possible in part by funds from the IFP. The Red Flag program provides team-based training for the sole purpose of prosecuting insurance fraud and is organized and presented by the Commonwealth's Attorneys' Services Council. Red Flag's faculty includes professionals from various facets of law enforcement, the legal profession and the insurance industry. Red Flag is a four-day training program offered at no charge to attendees and includes classroom instruction, scenario exercises and invaluable networking opportunities.



Founded in 1992 by insurance industry fraud investigators, the Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) is a non-profit organization dedicated to promoting a coordinated effort within the industry to combat insurance fraud. The IFP provided grant funding to the VAIASIU for its annual seminar in Richmond. The IFP will again provide grant funding in 2017 to cover registration fees for the first 170 attendees.



**IFP** contributed **\$30,000**  
in grant funding in 2016 to support  
the VAIASIU annual training seminar.

# Fraud Fighters Awards

The Virginia State Police Fraud Fighters Awards program was established in 2005 to recognize those who go above and beyond to Stamp Out Fraud. Nominees are judged on a number of factors, including the actions taken to proactively prevent insurance fraud and a proven commitment to assisting the insurance community.





**In 2016, the IFP recognized 10 law enforcement employees, commonwealth's attorneys and insurance industry employees whose efforts helped reduce property fraud, casualty fraud or workers' compensation insurance fraud.**

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First Sgt. Steve Hall and Senior Special Agent Harvey Spahr, Virginia State Police

### **Senior Special Agent Harvey Spahr, Virginia State Police**

Special Agent Spahr investigated an individual who submitted 11 medical claims to her insurer over a two-year period. These claims involved a pressure cooker explosion, the loss of a finger, a cancer diagnosis and even a medical helicopter transport. However, Spahr discovered that the suspect still had all of her fingers, had never been diagnosed with cancer and had received approximately \$70,000 from her insurer through these and other fraudulent claims.

As a result of SSA Spahr's investigation, the suspect was indicted on 13 counts of Obtaining Money by False Pretense and one count of Attempting to Obtain Money by False Pretense. The suspect pled guilty to seven felonies and seven misdemeanors. She was sentenced to 10 months in prison followed by probation and ordered to pay almost \$80,000 in restitution and fines.



First Sgt. Steve Hall and Deputy Commonwealth's Attorney Michael Hardiman, Virginia State Police

### **Deputy Commonwealth's Attorney Michael Hardiman, Stafford County**

Mr. Hardiman drafted indictments for 15 insurance fraud-related cases, all of which led to arrests. Mr. Hardiman's successful prosecutions resulted in court-ordered restitution and prison time.



First Sgt. Steve Hall and  
Special Agent Christopher  
Brennan, Virginia State Police

## Special Agent Christopher Brennan, Virginia State Police

Special Agent Brennan began investigating a case in which a suspect suspiciously purchased boat insurance four days prior to filing a claim for a damaged boat trailer. SA Brennan's investigation included reviewing cellular phone location data, obtaining video from every bridge authority in the Newport News area, and coordinating with VDOT to determine its response to incidents in the area on the day in question.

Special Agent Brennan solidified the case by gathering incriminating Facebook photos and information gathered through interviews with the suspect and his towing company. This information could not have been obtained without SA Brennan's strong rapport with the towing company owner, as well as his interview skills. SA Brennan's investigation involved more than 200 hours of diligent work, and it paid off in the end. The suspect was convicted of all charges.



First Sgt. Steve Hall and  
Special Agent Brandon  
Blakey, Virginia State Police

## Special Agent Brandon Blakey, Virginia State Police

Special Agent Blakey conducted an investigation into a property fraud scheme that occurred between 2010 and 2012. A suspect had filed multiple claims alleging that his storage shed and residence had been burglarized multiple times. The suspect was paid almost \$150,000 by his insurer for the alleged losses. Among the reported stolen property was almost \$50,000 of DJ equipment and \$65,000 worth of jeans.

Special Agent Blakey discovered that multiple receipts and bank statements submitted for the claims were either altered or fictitious. The suspect had never actually owned several of the items listed and had inflated the cost of other items. In December of 2015, SA Blakey conducted an interview with the suspect, who admitted filing the false claims. The suspect was so remorseful that he asked SA Blakey how he could pay back the insurer. Trial is scheduled for later this year.



First Sgt. Steve Hall and Senior Special Agent Gary Straub, Virginia State Police (Not pictured: Senior Special Agent Durwin Powell)

## Senior Special Agent Gary Straub, Virginia State Police

## Senior Special Agent Durwin Powell, Virginia State Police

Senior Special Agents Straub and Powell uncovered a scheme in which victims were defrauded out of more than \$50,000. The Virginia Bureau of Insurance received information in February of 2015 that an independent insurance agent was fabricating and collecting premiums against fraudulent policies.

As SSAs Straub and Powell investigated, the case expanded to involve multiple victims. The suspect had targeted Latino small business owners by providing false coverage for general liability and workers' compensation. SSAs Straub and Powell's investigation revealed that the insurance agent had collected premiums from at least eight different victims since 2007 without providing any coverage. Identifying and obtaining cooperation from victims proved difficult through a language barrier and cultural differences. Yet through exhaustive interviews and evidence collection, Straub and Powell were able to mount the case against the suspect including multiple counts of Embezzlement, Forging and Uttering, and Obtaining Money by False Pretenses.



First Sgt. Steve Hall and Special Agent Scott Mitchell, Virginia State Police (Not pictured: Commonwealth's Attorney John Alexander)

## Special Agent Scott Mitchell, Virginia State Police

## Commonwealth's Attorney John Alexander, Botetourt County

Special Agent Mitchell conducted an investigation involving a vehicle that had supposedly been damaged in a parking lot accident five days after the suspect purchased insurance. SA Mitchell discovered that while there had been a crash, it did not occur in a parking lot but on Route 11 in Botetourt County, one day prior to the policy being taken out. The suspect had defrauded his insurer for almost \$3,000. This investigation was presented to Commonwealth's Attorney John Alexander for prosecution. The accused was found guilty of felony Attempt to Obtain Money by False Pretense and sentenced to jail.



First Sgt. Steve Hall and Senior Investigator Jay Boothe, Virginia State Corporation Commission Bureau of Insurance

## Senior Investigator Jay Boothe, Virginia State Corporation Commission Bureau of Insurance

Mr. Boothe, a retired Richmond Police officer, assisted Virginia State Police special agents in the investigation of five unscrupulous insurance agents, and each investigation led to an arrest.

## Lt. Steve St. Clair, Culpeper County Sheriff's Office

While serving as detective, Lt. St. Clair conducted a two-year investigation into a case involving a car owner who claimed fire damage to his vehicle. The insurance company's initial investigation determined that the claim was suspicious, but evidence against the suspect was only circumstantial. Detective St. Clair pushed on and coordinated with the insurance company's special investigations unit and the Virginia State Police to build a criminal case against the car owner. Lt. St. Clair discovered that a large rock had been thrown into the car while it was on fire in order to allow more oxygen to fuel the flames.

There also was previous fire damage to the vehicle, which was not reported on the insurance claim. The investigation proved that the fire had been set intentionally and led to the arrest and conviction of the owner of the vehicle.

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***“Insurance fraud costs Virginians millions each year, and losses across the United States are in the billions. So it’s important to highlight some of the good work that’s being done to combat insurance fraud.”***

*First Sgt. Steve Hall,  
Virginia State Police Insurance Fraud Program*

# Annual Activity Report

January 1, 2016 - December 31, 2016


1. Number of notifications received	1,513
2. Number of notifications sent to unopened case file	616
3. Number of investigations initiated	542
4. Number of notifications referred to other BCI divisions	8
5. Number of notifications referred to other agencies	8
6. Number of notifications involving property fraud	956
A. Motor vehicle/auto	767
B. Homeowners	131
C. Commercial	29
D. Other	29
7. Number of notifications involving injury/casualty fraud	473
A. Motor vehicle/auto	261
B. Homeowners	25
C. Commercial	47
D. Workers' compensation	77
E. Other	63
8. Number of notifications of actual fraud (collected)	218
9. Number of cases of attempted fraud	964
10. Total amount of claimed loss (collected)	\$21,760,423
11. Total amount of claimed loss (attempted)	\$9,803,475
12. Number of cases presented to commonwealth's attorneys	202
13. Number of cases adjudicated	54
14. Number of arrests for insurance fraud	75
15. Number of convictions for insurance fraud	74
A. Felonies	39
B. Misdemeanors	35
16. Number of arrests for related offenses	15
17. Number of convictions for related offenses	5
18. Amount of restitution ordered	\$229,039

# Annual Budget Summary

## *Insurance Fraud Investigation Unit Fund*

### January 1, 2016 - December 31, 2016

<b>Balance</b>	<b>January 1, 2016</b>		<b>\$ 4,842,540.59</b>
<b>Revenue &amp; Transfers</b>			
	SCC-Rec'd July 2016	\$ 6,046,082.48	
	Interest Earned	\$ 37,230.22	
	<b>Revenues Received</b>		<b>\$ 6,083,312.70</b>
	<b>Interfund Transfer</b>	(600,000.00)	
	<b>Total Revenue</b>		<b><u>\$ 5,483,312.70</u></b>
<b>Disbursements</b>			
	<b>Personnel Services</b> (Salaries & Fringes)	3,541,333.06	
	<b>Contractual Services</b> (Postage, Telecommunications, Vehicle Repairs, Travel)	555,490.23	
	<b>Supplies &amp; Materials</b> (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies)	56,147.42	
	<b>Transfer Payments</b> (Reward payments)	18,633.94	
	<b>Continuous Charges</b> (Insurances, Office Rent)	228,126.17	
	<b>Equipment</b> (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment)	407,018.53	
		-	
	<b>Total Disbursements</b>		<b><u>\$ 4,806,749.35</u></b>
<b>Balance</b>	<b>December 31, 2016</b>		<b><u><u>\$ 5,519,103.94</u></u></b>



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