

# STAMP OUT FRAUD

VIRGINIA STATE POLICE  
INSURANCE FRAUD PROGRAM

## 2017 Annual Report

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**Colonel Gary T. Settle**  
Superintendent  
Virginia State Police

# Report from the Superintendent

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Insurance fraud is a widespread crime that affects us all. The financial impact of insurance fraud is heavy. More than \$2.4 million in fraudulent insurance claims were collected in Virginia in 2017, and insurance fraud is estimated to cost Americans more than \$80 billion each year. And these costs don't stop with insurers. False claims against insurance companies ultimately mean increased premiums for individuals. Which is why the Virginia State Police Insurance Fraud Program (IFP) is in its nineteenth year of continuing to Stamp Out Fraud in the Commonwealth.

Working alongside law enforcement and commonwealth's attorneys to investigate and prosecute insurance fraud cases is a cornerstone of the success of the IFP. In 2017 alone there were 676 investigations initiated, \$11.3 million in attempted insurance fraud claims and \$402,822 in restitution; all an increase from 2016. The IFP provides resources to law enforcement and other insurance professionals by assisting with investigations and hosting training and continuing education programs.

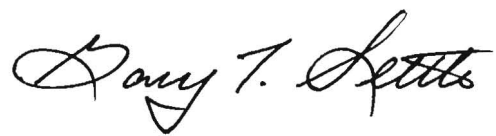
The IFP also provides a great deal of public outreach. Through multiple channels of communication, the IFP provides citizens with information on how to identify these crimes, what to do if they suspect insurance fraud is being committed and ways to protect themselves from becoming a victim. Raising awareness of the IFP and educating citizens about the negative effects of insurance fraud are instrumental strategies for public participation in stamping out fraud.

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.

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

Sincerely,

A handwritten signature in black ink that reads "Gary T. Settle". The signature is written in a cursive, flowing style.

Colonel Gary T. Settle





**\$2,484,841**

***fraudulent insurance claims***

were collected in Virginia in 2017



There was

**\$11,389,391**

in attempted insurance fraud  
and investigations resulted in

**\$402,822**

in restitution

**1,025**

cases of  
*attempted fraud*  
in 2017

*IFP initiated*

**676**

*investigations*

in 2017



# Education and Training Opportunities

**NATIONAL FRAUD  
DIRECTORS  
CONFERENCE**



The Stamp Out Fraud program, along with the Virginia Bureau of Insurance and National Insurance Crime Bureau, hosted this year's National Fraud Directors Conference in Charlottesville, Va. from Oct. 31 - Nov. 2, 2017. This annual event is a premier educational opportunity for insurance-industry professionals to learn more about investigation, prosecution and prevention of insurance fraud, a crime that costs the United States billions of dollars each year. More than 70 attendees from across the country met to discuss nationwide trends, exchange information and share ideas on how to best combat this crime. Highlights of the 2017 conference include a tour of the Insurance Institute for Highway Safety, presentations from industry experts and a former convicted fraudster turned advocate.

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The Red Flag Program, developed by the IFP, the Commonwealth Attorneys' Services Council, and the Virginia Chapter of the International Association of Special Investigation Units is a four day, team-based training that provides participants with classroom instruction, scenario exercises, and invaluable networking opportunities for no charge. Breakout sessions throughout the conference enable attendees to determine their specific role in insurance fraud investigations through case studies. A past participant stated that it was helpful to see the capabilities other professionals have when investigating insurance fraud. Forty-seven commonwealth's attorneys, law enforcement representatives, and insurance industry investigators attended this year's Red Flag Program funded by the IFP.

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The Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) is a non-profit organization that promotes a coordinated effort within the industry to combat insurance fraud. The IFP began sponsoring the VAIASIU annual seminar in 2014 and contributed more than \$25,000 in funding for a registration grant and promotional support in 2017. This annual seminar provides insurance fraud-focused training for law enforcement and other insurance industry professionals.



# Marketing and Communications

**The crime of insurance fraud can be challenging for citizens to identify, which is why the IFP continues to spread public awareness through multi-platform marketing campaigns including digital media and recurring public appearances.**

StampOutFraud.com provides educational resources to both citizens and insurance industry professionals to help identify, prevent and report insurance fraud. The IFP Facebook page has continued to engage users and grow its online presence with followers.



**Nearly 3,500 followers**

The Insurance Fraud Program continued digital outreach efforts through visual ad campaigns depicting common insurance fraud schemes. These ads spread public awareness by encouraging citizens to report fraud and visit the IFP website. Video ads continued to perform successfully as previously released 30-second commercials again ran across the Google video ad partner network. The commercials depict child actors playing out scenarios in which they pretend to commit insurance fraud and totalled over 1,086,717 views in 2017. View the videos at StampOutFraud.com.



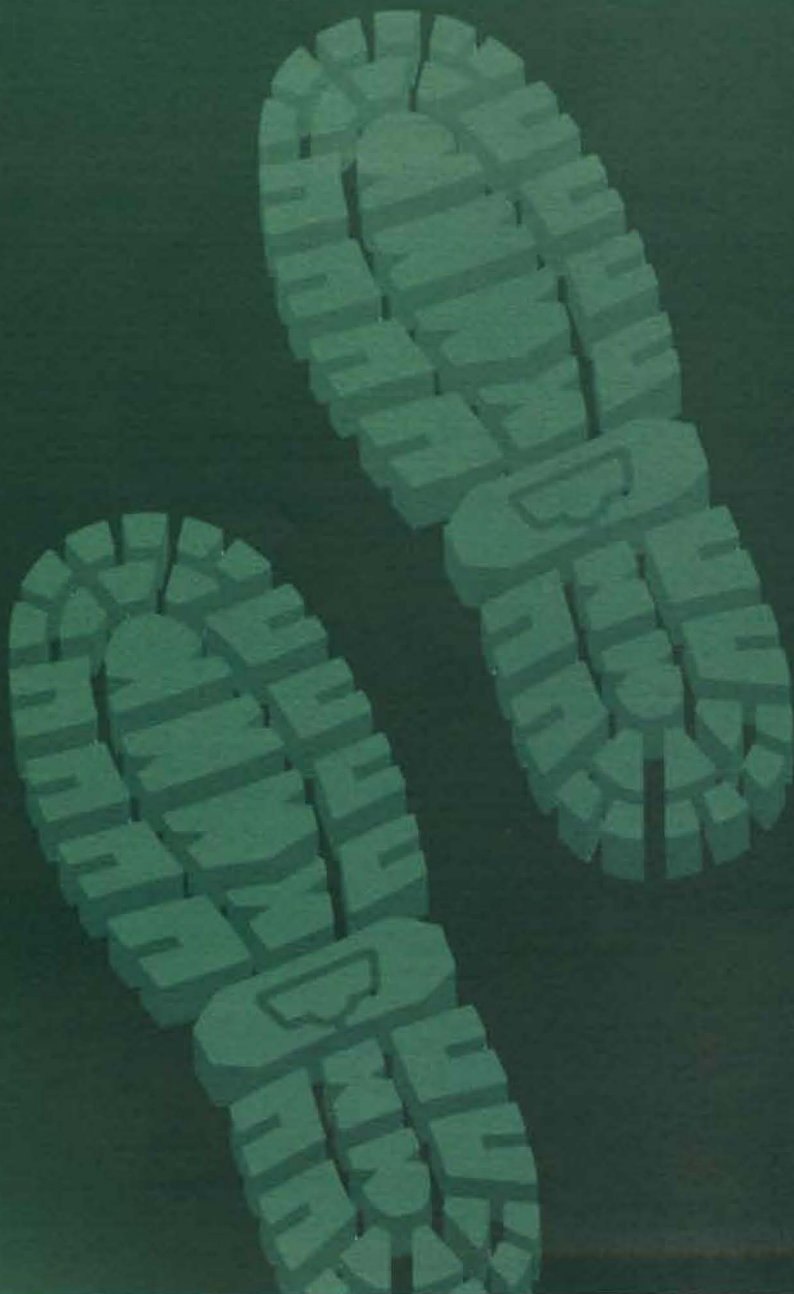
*More than*  
**1,000,00**  
**VIDEO VIEWS**

*Website visits grew by*  
**423%**

IFP maintains a strategy of combining traditional and digital outreach efforts, which continue to prove to be highly effective. Informational brochures, promotional items and speaking at various events throughout the year aid IFP staff in engaging individuals and identifying new opportunities to spread awareness. The IFP also continues to offer a reward of up to \$25,000 for individuals who provide information leading to the arrest of individuals who commit insurance fraud in Virginia. Anonymous reports can be submitted at StampOutFraud.com or by calling (877) 62-FRAUD.

# Fraud Fighters Awards

For more than fifteen years, the Virginia State Police Fraud Fighters Awards program has been recognizing 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.



VIRGINIA STATE POLICE  
INSURANCE FRAUD PROGRAM

**FRAUD**  
FIGHTERS





Special Agent Accountant Bradley Gregor, First Sgt. Steve Hall, and Special Agent Chris Brennan, Virginia State Police

## Special Agent Accountant Bradley Gregor and Special Agent Chris Brennan, Virginia State Police

VSP Special Agent Accountant Bradley Gregor and Special Agent Chris Brennan took down a criminal who defrauded an insurance company and stole thousands of dollars from her employer over a 13-year period. After terminating an employee for suspected insurance fraud, a doctor's office in Spotsylvania became concerned that its former employee had also embezzled nearly fifty-thousand dollars. The office's billing supervisor had been employed by the practice for fifteen years. The billing specialist duties included documenting and processing refunds when a patient returned medical products, such as crutches and splints, to the office. It was discovered, however, that the billing supervisor on numerous occasions had processed returns when there were none and returned the refund balances to her personal credit card.

Further investigation led to the revelation that an insurance company had been billed for treatment that had never actually been administered. The fake claims, which included a fractured foot and five finger fractures, had been filed in the name of the billing supervisor. None of the other employees had any indication she had sustained any such injuries, and the doctor who was named on the claims never administered any such treatment.

Special Agents Brennan and Gregor logged more than 300 combined investigation hours on this case. They successfully obtained and executed several court orders for supporting business records, conducted numerous phone interviews, reviewed thousands of documents, and had to present the case to two different deputy commonwealth's attorneys after their original prosecutor lost an election. Special Agents Gregor and Brennan's patience and commitment to uphold the law resulted in the identification, arrest, and conviction of an insurance fraudster.

The suspect took a plea and was convicted of two felony counts of Obtaining Money by False Pretenses and was sentenced to six years in prison, with six suspended, and ordered to pay more than sixteen-thousand dollars in restitution to the insurer she defrauded. The suspect was also convicted on four felony counts of embezzlement and sentenced to twelve years in prison, with ten years suspended, and was ordered to pay almost \$50,000 in restitution to the doctor's office.



Senior Investigator Lee Wietz, First Sgt. Steve Hall and Senior Investigator Tommy Southwick, Virginia State Police

## Senior Investigators Tommy Southwick and Lee Wietz Virginia State Police

Virginia Bureau of Insurance Senior Investigators Tommy Southwick and Lee Wietz exposed a retail insurance agent who pocketed thousands of dollars in premiums from at least two dozen people rather than providing them with workers' compensation coverage. The investigation was opened after a temporary labor placement agency complained that it had purchased insurance coverage yet one of its employees had recently been denied a workers' compensation claim.

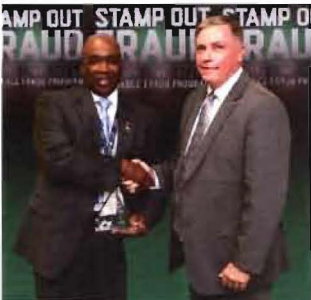
Investigators Southwick and Wietz initiated an agency review of the insurer after discovering that the insurance agent in question was attempting to act as the claims adjuster in the case and was in negotiations with the injured employee's attorney. The insurance agent was slow to provide paperwork and only began cooperating after Southwick and Wietz subpoenaed the bank records. When the insurance agent finally offered to turn over the request for three years of records, the files were vastly different than what was subpoenaed from the bank. The insurance agent had fabricated 170 pages of bank statements.

Investigators Southwick and Wietz interviewed more than two dozen people who had paid a combined two-hundred-and-thirty-seven thousand dollars in premiums, yet never had their policies placed. It was ultimately discovered that the insurance agent had converted \$1.5 million of insurance funds.

After an eighteen-month investigation and nearly one-thousand combined hours, Senior Investigators Southwick and Wietz obtained a confession from the insurance agent, and she agreed to have her insurance license revoked rather than appear at a hearing at the State Corporation Commission. Wietz and Southwick then referred the case to the U.S. Attorney's Office. The U.S. Attorney's Office successfully prosecuted the case, and the suspect was sentenced to six months in federal prison, three years of supervised probation, and ordered to pay \$111,000 in restitution.

## Special Agent David Walker, Virginia State Police

Special Agent David Walker investigated a workers' compensation scam. The insurer suspected that the claimant was performing unauthorized work while still receiving Temporary Total Disability Benefits. Special Agent Walker knew the correct questions to ask and kept the suspect talking. His diligence ultimately resulted in a confession. The claimant blamed his lawyer for giving poor legal advice, but was arrested nonetheless, charged with one count of Obtaining Money by False Pretenses, and ordered to pay nearly four-thousand dollars in restitution.



Special Agent David Walker and First Sgt. Steve Hall, Virginia State Police





Assistant Attorney Peggah Wilson, First Sgt. Steve Hall, and Special Agent James Liston (Not pictured: Assistant Commonwealth's Attorney Rusty Fitzgerald and Sergeant Shawn McCurry)

**Assistant US Attorney Peggah Wilson,  
US Attorney's Office for the Eastern District of NC**

**Assistant Commonwealth's Attorney Rusty Fitzgerald,  
Orange County Commonwealth's Attorney's Office**

**Special Agent James Liston, Virginia State Police**

**Sergeant Shawn McCurry, Virginia State Police**

Peggah Wilson works at the U.S. Attorney's Office for the Eastern District of N.C. She is a former Assistant Commonwealth's Attorney in Rockingham County. Rusty Fitzgerald is an Assistant Commonwealth's Attorney in Orange County, and James Liston and Shawn McCurry are Special Agents with the Virginia State Police. These four worked together to bring down a brazen fraudster who turned a near-fall into a true crime.

A customer had a minor slip in the dining room of a fast food restaurant in Rockingham County. As evidenced by the restaurant's security footage, the customer did slip but was able to brace himself to avoid injury. The slip occurred when no patrons or restaurant staff were present in the dining room, and the customer decided to take advantage of the situation. Again, as evidenced by the restaurant's security footage, instead of shaking off the near fall, the customer lowered himself gently onto the floor as if he had fallen. He then picked himself up and called out to employees for help. After reporting the fictitious fall to the restaurant manager, the customer sought treatment at a nearby hospital. Based on the surveillance video, the insurer denied the customer's claim and forwarded the suspected insurance fraud to Virginia State Police. VSP Special Agent McCurry presented the case to ACA Fitzgerald for prosecution, and the case was set for plea to a misdemeanor Attempt to Obtain Money by False Pretense. At the last minute, however, the fast food customer fired his attorney and hired another. The case was then set for jury trial and the defense made a motion attacking the validity of the restaurant's security footage. SA McCurry and ACA Fitzgerald worked to prepare the restaurant's IT manager to testify in defense of the security footage. It was the IT manager's first time testifying. The motion was defeated and a jury trial was set.

The customer who filed the claim was now represented by two defense attorneys and a former FBI examiner, who was hired to attack the video evidence. ACA Fitzgerald accepted another position outside the commonwealth's attorney's office and the case was turned over to ACA Wilson, who called on SA McCurry and the restaurant's IT manager to testify again. VSP Special Agent Liston was also called to the stand to defend surveillance video. After a twelve-hour trial, the jury returned a unanimous decision of guilt for a Class Four Felony for the Attempt to Obtain Money by False Pretense.



***“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*



**STAMP OUT  
FRAUD**

VIRGINIA STATE POLICE  
INSURANCE FRAUD PROGRAM

# Annual Activity Report

January 1, 2017 - December 31, 2017

1. Number of notifications received	1,538
2. Number of notifications sent to unopened case file	639
3. Number of investigations initiated	676
4. Number of notifications referred to other BCI divisions	6
5. Number of notifications referred to other agencies	5
6. Number of notifications involving property fraud	1,011
A. Motor vehicle/auto	727
B. Homeowners	206
C. Commercial	31
D. Other	47
7. Number of notifications involving injury/casualty fraud	307
A. Motor vehicle/auto	128
B. Homeowners	11
C. Commercial	46
D. Workers' compensation	68
E. Other	54
8. Number of notifications of actual fraud (collected)	219
9. Number of cases of attempted fraud	1,025
10. Total amount of claimed loss (collected)	\$2,484,841
11. Total amount of claimed loss (attempted)	\$11,389,391
12. Number of cases presented to commonwealth's attorneys	170
13. Number of cases adjudicated	32
14. Number of arrests for insurance fraud	155
15. Number of convictions for insurance fraud	61
A. Felonies	45
B. Misdemeanors	18
16. Number of arrests for related offenses	102
17. Number of convictions for related offenses	13
18. Amount of restitution ordered	\$402,822

# Annual Budget Summary

## Insurance Fraud Investigation Unit Fund

### January 1, 2017 - December 31, 2017

<b>Balance</b>	<b>January 1, 2017</b>		<b>\$ 5,519,103.94</b>
<b>Revenue &amp; Transfers</b>			
	SCC-Rec'd July 2017	\$	6,320,567.39
	Interest Earned	\$	56,990.66
	<b>Revenues Received</b>		<b>\$ 6,377,558.05</b>
	<b>Interfund Transfer</b>		<b>-</b>
	<b>Total Revenue</b>		<b><u>\$ 6,377,558.05</u></b>
<b>Disbursements</b>			
	<b>Personnel Services</b> (Salaries & Fringes)		4,076,732.52
	<b>Contractual Services</b> (Postage, Telecommunications, Vehicle Repairs, Travel)		542,853.02
	<b>Supplies &amp; Materials</b> (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies)		55,326.98
	<b>Transfer Payments</b> (Reward payments)		14,751.62
	<b>Continuous Charges</b> (Insurances, Office Rent)		140,194.59
	<b>Equipment</b> (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment)		417,151.62
	<b>Plant and Improvements</b>		
	<b>Total Disbursements</b>		<b><u>\$ 5,247,010.35</u></b>
<b>Balance</b>	<b>December 31, 2017</b>		<b><u><u>\$ 6,649,651.64</u></u></b>





**STAMP OUT  
FRAUD**

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