

STAMP OUT FRAUD

VIRGINIA STATE POLICE
INSURANCE FRAUD PROGRAM

2018 Annual Report

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Colonel Gary T. Settle
Superintendent
Virginia State Police

Report from the Superintendent

I am pleased to present the Insurance Fraud Program's (IFP) annual report for calendar year 2018. Since 1999, the IFP has been charged with determining the scope of Virginia's insurance fraud problem and developing resources to prevent and prosecute insurance fraud crimes statewide.

Since the IFP was established, the insurance industry, law enforcement and private citizens have submitted more than 2,000 notifications of suspected insurance fraud.

This year, the IFP will progress into its twentieth year of fighting insurance fraud on behalf of Virginians. Working alongside law enforcement and commonwealth's attorneys to investigate and prosecute insurance fraud cases, remain the cornerstone of the IFP's successful tenure.

Insurance fraud is constantly evolving due to the high-tech society in which we live. Which means our approach to detect and prevent fraud has to continuously progress. Through our partnerships with the insurance industry, prosecutors and Commonwealth Attorney's, the IFP continues to make significant strides against the crime of insurance fraud. More than \$3,665,817 in fraudulent insurance claims were collected in Virginia in 2018.

The IFP has a continued commitment to the Commonwealth in investing in technology, and research and data collection. The Department continues to hire dedicated employees as we develop their knowledge, skills and abilities on emerging trends in insurance fraud. We also continue to improve our public education programs as a key component of our anti-fraud strategy. In 2018, there were 886 investigations initiated and \$13,566,013 in attempted insurance fraud claims, both increases from 2017. There was a total of \$87,726 in restitution for 2018.

In addition to the significant strides made in our investigative efforts, the IFP continued to make progress on the administrative side. Through support from the Virginia General Assembly, four positions were approved to bring on special prosecutors who focus on insurance fraud in Virginia. These special prosecutor positions are located in Richmond,

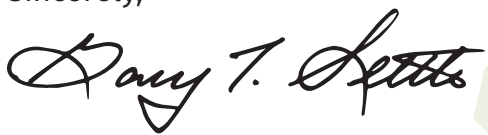
Report from the Superintendent (Continued)

Salem, Tidewater and the Northern Virginia region. In order to strengthen Department operations and enhance program services, the Bureau of Criminal Investigation Support Services Division was created and the IFP, along with four other programs, are now positioned under the newly created division. To support the restructuring of programs, we welcomed new leadership. Captain Norman E. Gray Sr. was promoted to serve as the Division Commander and First Sergeant Thomas J. Molnar was promoted to serve as the new program coordinator for the IFP and Help Eliminate Auto Theft (HEAT) program. We have also continued to expand the program's marketing efforts through our contract with Charles Ryan Associates (CRA).

The IFP has remained steadfast in combating emerging trends in insurance fraud year after year. Citizens can join law enforcement in pushing back against insurance fraud. Anyone with knowledge of suspected insurance fraud can submit an anonymous tip by visiting StampOutFraud.com or calling (877) 62-FRAUD. Tips that lead to arrests can potentially earn an award of up to \$25,000.

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. Nineteen years later, the IFP is still pushing ahead to reach new heights in the fight against insurance fraud. We've accomplished a lot and I am eager to see what we can do in the decades to come.

Sincerely,



Colonel Gary T. Settle



\$13,566,013

fraudulent insurance claims
were *attempted* in Virginia in 2018

A **19% increase** from 2017

2,022

cases were received in 2018

A **31% increase** from 2017

886

investigations were initiated in 2018

A **31% increase** from 2017



\$3,665,817

fraudulent insurance claims
were *collected* in Virginia in 2018

A **48% increase** from 2017

1,534 cases

of attempted fraud in 2018

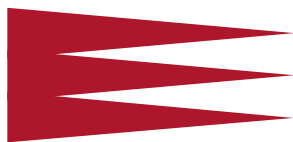
A **50% increase** from 2017

1,470 cases

involving property fraud in 2018

A **45% increase** from 2017

Education and Training Opportunities



Red Flag

The Red Flag Program, developed by IFP, the Commonwealth Attorneys' Services Council, and the Virginia Chapter of the International Association of Special Investigation Units is an annual 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.

One of this year's attendees stated "The seminar was invaluable. I learned a lot and stress the importance of face-to-face contact with law enforcement and prosecutors." Forty commonwealth's attorneys, law enforcement representatives, and insurance industry investigators attended this year's Red Flag Program funded by IFP.



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 2018. 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.



Over 4,200 followers *(More than 700 new followers in 2018)*

The IFP has expanded its social media efforts to the platform Twitter. A full marketing strategy for public education and engagement will begin in 2019.

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 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 totaled more than 328,993 views in 2018. Videos can be viewed at StampOutFraud.com.



More than 320,000 VIDEO VIEWS

IFP maintains a strategy of combining traditional and digital outreach efforts, which continue to prove to be highly effective. This year, we took advantage of new traditional media opportunities to spread awareness. The IFP ran 30-second commercials on cable television from April through the end of July. This media tactic increased our reach and supported other existing marketing efforts such as Informational brochures, promotional items and speaking at various events throughout the Commonwealth. 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



**Deputy
Commonwealth's
Attorney
Derek Wagner**

**Sergeant
Brandon Blakey**

**Assistant
Commonwealth's
Attorney John Fisher**

On January 14, 2014, Chesapeake Police received a call for service at 5:21 p.m. regarding a vehicle crash involving Donavon Grimes. Mr. Grimes was driving a Ford Explorer and hit another vehicle, at his wife's place of employment, when he was making a left turn. At 7:39 p.m., Denetra Grimes contacted Progressive Insurance to reinstate the insurance policy for the Ford Explorer. After completing the policy, Ms. Grimes called back to confirm that it would take effect immediately and inquired about the vehicle's coverage, if anything were to happen between now and midnight. Two days later, Ms. Grimes filed an insurance claim with Progressive Insurance alleging the accident Mr. Grimes was involved in occurred on January 14, 2014, at approximately 8:00 p.m. Progressive Insurance interviewed Donovan Grimes, who admitted the accident occurred on January 14, 2014, between 5:30 p.m. and 6:00 p.m., thus leading Progressive Insurance to deny the claim. On January 21, 2014, Ms. Grimes obtained a new insurance policy with Geico for the same Ford Explorer and the next day filed a claim with Geico alleging she was involved in a hit and run accident. After an adjuster evaluated the vehicle, they discovered the prior insurance claim with Progressive and when confronted about this information, Ms. Grimes immediately withdrew her claim.

As Special Agent Brandon Blakey was investigating these claims, his attention was brought to a number of suspicious medical claims Denetra Grimes had made regarding medical services for her daughter, Amya. After Blakey had combed through over a thousand pages of insurance documents, medical records and bills which resulted in numerous search warrants, he discovered that on September 11, 2014, Amya Grimes tripped and fell on an uneven portion of sidewalk and was taken to Children's Hospital of the King's Daughters. Amya was diagnosed with a broken arm and had surgery. After this medical event, Ms. Grimes filed multiple false claims with several organizations and their insurance providers, alleging Amya was hurt on their property. She provided different stories to each insurance provider of how Amya broke her arm in an attempt to collect money for medical bills and loss of wages.

When Blakey interviewed Ms. Grimes on November 1, 2016 regarding the medical insurance claims, she admitted to the actual event that caused her daughter's broken arm; not the false stories she had given the insurance providers. When asked about the multiple altered medical records, billing statements and false insurance claims, she said she was going through a financially difficult time. After a year of investigating this complex case, he was able to turn this case over to Chesapeake Deputy Commonwealth's Attorney Derek Wagner and Assistant Commonwealth's Attorney John Fisher for further investigation. They were able to determine that Ms. Grimes had committed multiple felonies.

After reviewing the impressive case, put together by Blakey, Wagner and Fisher against Ms. Grimes, the defense attorney's only option was to ask "What do you want to do?" The trial resulted in Ms. Grimes and her attorney agreeing to a plea deal. A guilty verdict of 15 felonies was rendered and Ms. Grimes was ordered to repay all of the insurance proceeds due to the false claims.

Due to the extensive hard work of Blakey, Wagner and Fisher, Ms. Grimes' Insurance Fraud Spree came to an end.



**Darin Werking of the
Federal Bureau of
Investigations**

**Postal Inspector Ryan
T. Amstone of the U.S.
Postal Inspection
Service**

**Sergeant Shawn
D. McCurry of the
Virginia State Police**

In 2013, a Kearneysville, West Virginia resident, Daniel Lichtman, began leasing space for a business location in the city limits of Winchester, Virginia. Lichtman obtained two separate business licenses as well as two separate insurance policies for the locations. The businesses were *Goin Postal*, a franchise mailbox store and *Virginia Printing & Graphics*, a copier and printing business created by Mr. Lichtman.

From July, 2013 to June, 2014, a total of seventeen separate insurance claims were submitted for payment to Mr. Lichtman's business insurance providers totaling \$334,694.90. The fraudulent claims were submitted for damage occurring from power surges, storm and water damage. When communicating with the insurance provider, he used ten aliases, multiple fraudulent repair businesses, different phone numbers, email accounts and created false documentation. During the investigation, similar fraudulent claims were identified in Maryland and West Virginia involving additional insurance carriers. The fraudulent claims were investigated and submitted with the fraudulent insurance claims in Winchester, Virginia.

Investigators traveled to Maryland, Virginia and West Virginia to complete the investigation. After obtaining several search warrants, court orders and subpoenas of records, success was obtained. The thorough investigation resulted in Daniel Lichtman's confession.

Through the combined efforts of Virginia State Police Insurance Fraud Unit, City of Winchester Commonwealth Attorney's office and several other state and federal agencies, Daniel Lichtman pleaded guilty to felony mail fraud and was sentenced to 21 months in Federal Prison and ordered to pay total restitution in the amount of \$354,552.26.



Detective Edgar McCullough III, Stafford County Sheriff's Office

On January 1, 2017, Detective Edgar McCullough III was assigned to investigate the theft of two high-end car hauler trailers valued at about \$120,000 from a rural pull off on Rt. 17 in Stafford County. McCullough became suspicious of the theft, noting 50 foot trailers would not have easily maneuvered around the tight parking area without becoming damaged. Neighborhood canvassing failed to produce any key witnesses who would have seen the parked trailers on the property. Further inquiry showed the victim, Jeffrey L. Peters, hauled expensive motor vehicles for his business. However, the insurance company Mr. Peters used, National Indemnity, described the operation as a concrete and construction company. McCullough drove to Delaware to interview Mr. Peters, who appeared dismayed that he went to such an extent for a routine theft case. McCullough continued to investigate and reached out to National Indemnity about his suspicions. He found that Mr. Peters had a history of similar unsolved theft cases in Delaware. McCullough also noticed how the invoices from legitimate trailers owned by Peters looked eerily similar to the invoices of the stolen trailers. He worked to understand the trailer manufacturing and registering requirements of the federal government as well as the processes to obtain titling in Maine.

The Red Flags were continuing to add up for McCullough. Through the notification process of the Insurance Fraud Program, Special Agent Michael Jones was assigned and quickly allied with McCullough to advance the investigation. A follow up trip to Delaware to interview Mr. Peters developed adequate information to believe the trailers existed only on paper for the purposes of committing insurance fraud.

With the approval of Stafford's Commonwealth Attorney, Mr. Peters was indicted for making a false police report and obtaining money by false pretense. Had it not been for McCullough's perceptive investigative skills, this case would have likely gone unsolved.



**Senior Special Agent
Kenneth Mosley,
Bureau of Alcohol,
Tobacco, Firearms and
Explosives**

In 2014, Senior Special Agent Kenneth Mosley took on an arson for profit, insurance fraud investigation that was nearly 20 years in the making. The case centered on the father and son duo of Verdon Taylor and Vershawn Jackson who since the 1990's had experienced over 40 fires involving their residences and vehicles. Over the years, Mr. Taylor and Mr. Jackson received thousands of dollars in insurance payouts. Mosley began his investigation by locating and interviewing past witnesses and re-examining the available evidence. However, he did not have to wait long for new evidence to present itself. In 2015, Mr. Jackson's new half million-dollar home was burned. Mosley's observations and report noted the obvious home staging efforts by Mr. Jackson in this fire.

Mosley interviewed insurance representatives, police and fire officials from across the country. He also convinced crucial witnesses who feared for their own safety to come forward and make statements. He oversaw the service of 192 federal subpoenas and used records to place Mr. Jackson and Mr. Taylor in Virginia while calling or using the interstate wires to defraud insurance carriers. Mosley testified in the federal grand jury for 4 hours to secure the indictment in this case and then executed the arrest plan for the 6 defendants to be carried out simultaneously in Virginia and Florida. As the case continued to grow, Mosley enlisted the help of ATF Forensic Auditor Keith Cobb, Assistant United States Attorney David Harbach, and Assistant United States Attorney Michael Moore and Janet Lee. Together this group subpoenaed and reviewed over 44,000 documents and identified additional fires connected to the father and son duo.

At trial, Mosley testified among other things, about the risk of public safety due to the fires set by the group in multi-family dwellings. In 2017, this case resulted in the federal convictions of 5 co-conspirators and identified 16 insurance companies as victims having been defrauded of \$950,000. This \$950,000 was imposed as restitution on the 5 defendants and a 40-year federal sentence for Mr. Taylor. Mr. Taylor was sentenced in early 2018, bringing this case to an extremely satisfactory close for all involved.

Mosley's determination and persistence in this case put away a group of dangerous individuals who placed the lives of first responders and innocent neighbors at risk all for the sake of money. Mosley's efforts in prosecuting this case, sends a strong message of deterrence to potential insurance fraud offenders.

“Insurance Fraud is not a victimless crime. The financial impact is felt by everyone. In order to effectively combat insurance fraud, it’s important that we remain diligent in educating the public and working together with our partners in law enforcement and the insurance industry.”

*First Sgt. Thomas J. Molnar,
Virginia State Police Insurance Fraud Program Coordinator*



**STAMP OUT
FRAUD**

VIRGINIA STATE POLICE
INSURANCE FRAUD PROGRAM

Annual Activity Report

January 1, 2018 - December 31, 2018

1. Number of notifications received	2,022
2. Number of notifications sent to unopened case file	1,102
3. Number of investigations initiated	886
4. Number of notifications referred to other BCI divisions	10
5. Number of notifications referred to other agencies	42
6. Number of notifications involving property fraud	1,470
A. Motor vehicle/auto	931
B. Homeowners	184
C. Commercial	40
D. Other	82
7. Number of notifications involving injury/casualty fraud	368
A. Motor vehicle/auto	188
B. Homeowners	13
C. Commercial	35
D. Workers' compensation	73
E. Other	60
8. Number of notifications of actual fraud (collected)	216
9. Number of cases of attempted fraud	1,534
10. Total amount of claimed loss (collected)	\$3,665,817
11. Total amount of claimed loss (attempted)	\$13,566,013
12. Number of cases presented to commonwealth's attorneys	113
13. Number of cases adjudicated	51
14. Number of arrests for insurance fraud	82
15. Number of convictions for insurance fraud	57
A. Felonies	33
B. Misdemeanors	27
16. Number of arrests for related offenses	21
17. Number of convictions for related offenses	6
18. Amount of restitution ordered	\$87,726

Annual Budget Summary

Insurance Fraud Investigation Unit Fund

January 1, 2018 - December 31, 2018

Balance	January 1, 2018	\$ 6,580,321.27
Revenue & Transfers		
	SCC-Rec'd July 2018	6,637,507.30
	Interest Earned	101,447.20
	Revenues Received	\$6,738,954.50
	Cash Reversions	-
	Total Revenue	<u>\$6,738,954.50</u>
Disbursements & Accruals		
	Accruals	
	Accounts Payable	(33,605.25)
	Personnel Services (Salaries & Fringes)	3,613,305.35
	Contractual Services (Postage, Telecommunications, Vehicle Repairs, Travel)	567,765.20
	Supplies & Materials (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies)	5,918.18
	Transfer Payments (Reward payments)	188,886.81
	Continuous Charges (Insurances, Office Rent)	286,644.79
	Equipment (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment)	97,230.30
	Plant and Improvements	563,369.00
	Total Disbursements & Accruals	<u>\$5,289,514.38</u>
Balance	December 31, 2018	<u>\$8,029,761.39</u>

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