

# 2019

Annual Report

Celebrating

20

*Years*

# STAMP OUT FRAUD

VIRGINIA STATE POLICE  
INSURANCE FRAUD PROGRAM



# 2019

marks the 20th anniversary of the Virginia State Police Insurance Fraud Program which was established January 1, 1999 by legislation approved by the Virginia General Assembly.

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## Report from the Superintendent

2019 marks the 20th anniversary of the Virginia State Police Insurance Fraud Program which was established January 1, 1999 by legislation approved by the Virginia General Assembly. The program's mission then, as it is today, was to reduce insurance fraud in the Commonwealth, a crime Virginians pay for through increased costs of goods and services and higher insurance premiums, by providing trained investigators and by increasing citizen awareness. In creating the program, Virginia joined at least 37 other states who had passed similar legislation.

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

### State police establish division to address insurance fraud problems

An Insurance Fraud Division has been established within the Virginia State Police Department's Bureau of Criminal Investigation to address the growing problem of insurance fraud. According to Col. M. Wayne Williams, "The Insurance Fraud Division is staffed by state police personnel with wide background and experience in criminal investigation and law enforcement. The Insurance Fraud Division is staffed by state police personnel with wide background and experience in criminal investigation and law enforcement. The Insurance Fraud Division is staffed by state police personnel with wide background and experience in criminal investigation and law enforcement."

### Insurance Fraud Awareness Is State Police Aim

RICHMOND - Recognizing the impact the crime of insurance fraud has on the citizens of the Commonwealth of Virginia and the efforts of the Virginia State Police Insurance Fraud Division (IFD) to "stamp out fraud," Governor Mark R. Warner proclaimed "Insurance Fraud Awareness Week" in the Commonwealth of Virginia. Ranked second behind tax evasion as the most common and costly white-collar crime in the US, insurance fraud costs the economy almost \$85 billion a year according to the Coalition Against Insurance Fraud. "Insurance Fraud Awareness Week" is an annual event designed to raise community awareness of insurance fraud, create more widespread public knowledge of the problem, and have been possible without the support of the insurance industry, the cooperation of other law enforcement agencies, and the general public's willingness to become involved." Capt. Williams also noted the creation of a reward program that awards up to \$25,000 for tips leading to the arrest of individuals for the crime of insurance fraud.

The program began under the leadership of Captain Frank A. Williams, who was the Assistant Director of the Bureau of Criminal Investigation. Serving with him were a Deputy Assistant Director, two Assistant Special Agents-in-Charge, 14 Special Agents located in strategic locations throughout the state and three support staff positions. Today, the program is housed within the Bureau of Criminal Investigation Support Services Division led by Captain Norman E. Gray, Sr., with First Sergeant Thomas J. Molnar serving as the coordinator of IFP as well as the Help Eliminate Auto Theft (HEAT) program. Through a cooperative effort with Commonwealth Attorney's Offices in the City of Norfolk and Richmond, along with Arlington County, the Virginia State Police Insurance Fraud Program supports a special prosecutor position in each locality in order to prosecute those who commit insurance fraud. A fourth position is in the process of being filled in Salem. Staffing has been expanded to include three special prosecutor positions located in the City of Richmond, Norfolk and Arlington County, with a fourth position in Salem to be filled.

## Insurance fraud unit off to good start in Virginia

LYNCHBURG (AP) — Insurance scams have become harder to perpetrate in Virginia since the State Police formed a special unit in January 1999. The Insurance Fraud Division's 14 investigators have examined 415 suspicious claims, made 173 arrests and referred 102 cases for prosecution, resulting in \$345,129 in restitution ordered.

Phone tips from the public and referrals from insurance companies laid a variety of suspicious — sometimes ingeniously executed — claims at the division's door, including the notorious slip-and-fall scheme, claims for stolen but nonexistent cars, even claims for teeth "injured" on faulty food products.

Dennis Jay, director of the nonprofit National Coalition Against Insurance Fraud, calls it an auspicious start. "Virginia is well above average in terms of the insurance fraud problem," he says.

## Fraud probes pay off

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## 'Honest, it was lost in the fire'

State police unit puts spotlight on insurance fraud

By Joshua Stocum  
The News & Advance

Slip-and-fall schemes, phony accidents, phantom vehicle insurance claims — classic insurance scams are getting progressively harder to perpetrate in Virginia. Since its formation in January 1999, the Insurance Fraud Division of the Virginia State Police has been putting the screws to individuals that many in the insurance industry and law enforcement say have raised fraud to a lucrative art form. With 14 special investigators, the division has

During its first year, the IFP responded to 642 notifications of suspected property and casualty fraud, which resulted in 183 investigations. Of the 183 investigations initiated, 29 cases were accepted for prosecution resulting in 54 arrests on various charges, and \$15,978.00 was ordered in restitution.

With that solid foundation as a starting point, the numbers have increased significantly. In 2019, there were 1,894 notifications, which resulted in 872 investigations, 84 arrests, and \$5,751,080.25 ordered in restitution.

Cumulatively, the program has an outstanding record, with 33,026 notifications received since its inception resulting in 9,876 investigations, 2,696 arrests and over \$25 million (\$25,029,597) ordered in restitution.

Education and training continue to play an important role in IFP's work. In 2019 we conducted the 10th Red Flag training program which focuses on prosecuting insurance fraud by bringing together investigators and Commonwealth Attorneys. IFP also is a major sponsor of VAIASIU's annual fraud seminar.

Educating the public about insurance fraud and the role they can play in preventing it or reporting it has been an IFP objective since the beginning. In 2019 a 20th anniversary campaign featured billboards in key areas of the state and digital advertising blanketed Virginia. A survey also was conducted to gain a deeper insight into consumer level of awareness and understanding of insurance fraud.

If there is any secret of success in IFP's accomplishments, it is the cooperation of individuals and organizations from many fields working together to Stamp Out Fraud in Virginia. It is a shining example of a public/private partnership with VSP, local law enforcement agencies, the insurance industry and citizens all focusing on the same goal. That approach has well served the Commonwealth and I believe will do so as we begin a new decade of service.

Sincerely



Colonel Gary T. Settle



# \$21,643,433

fraudulent insurance claims were attempted in Virginia in 2019

**37.30%**  
increase from 2018

**\$200,805,356**  
total in 20 years

# 1,894

cases were received in 2019

**6.80%**  
decrease from 2018

**33,026**  
total in 20 years

# 872

investigations were initiated in 2019

**1.60%**  
decrease from 2018

**9,876**  
total in 20 years

# \$2,751,515

fraudulent insurance claims were collected in Virginia in 2019

**33.20%**  
decrease from 2018

**\$91,728,670**  
total in 20 years

# 1,605

cases of attempted fraud in 2019

**4.40%**  
increase from 2018

**16,627**  
total in 20 years

# 1,542

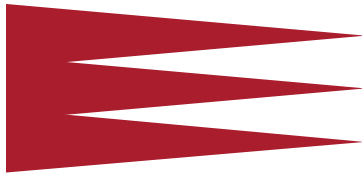
cases involving property fraud in 2019

**4.70%**  
increase from 2018

**20,936**  
total in 20 years

## Education and Training

### 10th Red Flag Training Program



### Red Flag

In 2010, the IFP, the Commonwealth Attorney's Services Council and the Virginia Chapter of the International Association of Special Investigation Units developed the Red Flag program. Each year, the program brings together insurance fraud investigators (SIU, NICB and VSP) and Commonwealth Attorneys to train in a team-based environment for the sole purpose of prosecuting insurance fraud.

Red Flag 2019: Ring of Fire, held in Williamsburg, Virginia, featured cutting-edge training from experienced investigators, attorneys and law enforcement officers from around Virginia with a focus on arson investigation and prosecution. The four-day intensive session included classroom instruction, scenario exercises, roundtable discussions and invaluable networking opportunities. Participants engaged in learning activities with colleagues from their own regions with the goal of strengthening teams that will work together in the future.

One hundred percent of the attendees rated the program "excellent" or "good" and would recommend Red Flag training to a colleague. Participants offered the following feedback:

“I really liked the case studies and diving deep into different issues of proving intent and tracking people down. It was also very useful to have so many different organizations that all came together so that you have other resources to rely on.”

“The presenters did a great job of preparing the materials for their segments. Each session was very informative.”

The Red Flag program is made possible in part by funds from the IFP and is offered at no charge to attendees.

“  
Very  
informative,  
I ended the  
week with  
a wealth  
of Arson  
Investigations  
knowledge.”



## 35th Annual IASIU Seminar

This year marked the 35th International Association of Special Investigation Units (IASIU) Annual Seminar. Twelve members of the Virginia State Police Bureau of Criminal Investigation Insurance Fraud Program attended the four-day seminar and expo in Phoenix, Arizona, expanding their knowledge in insurance fraud prevention, detection and investigation. As the largest conference in the field, IASIU 2019 assembled leading SIU professionals to facilitate more than 45 workshops with topics including auto issues, property issues, medical fraud, major case/ring investigations, technology and worker's compensation and international issues.



## 27th Annual Fraud Seminar VA-IASIU

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. VAIASIU has met the needs of Virginia's Fraud Fighters by providing insurance fraud-focused annual training to benefit fraud fighters from law enforcement and the insurance industry. This year's seminar—held in Richmond, Virginia—included topics on chiro investigations, Google searching, human trafficking and elder abuse among others. In 2014, the IFP began sponsoring the VAIASIU annual seminar and contributed more than \$25,000 in funding for a registration grant and promotional support in 2019.

## National Fraud Directors Conference

Four members of the Virginia State Police Bureau of Criminal Investigation Insurance Fraud Program attended the 2019 Insurance Fraud Director's Conference in Orlando, Florida. The conference brought together attendees from the Special Investigative Units, the Florida Chapters of the International Association of Special Investigative Units, Florida Department of Financial Services, Division of Investigations and Forensic Services, Federal, State and Local Law Enforcement, State Prosecutors, Fraud Bureau Representatives and Investigators from multiple states and the National Insurance Crime Bureau (NICB) through educational courses, training and networking.



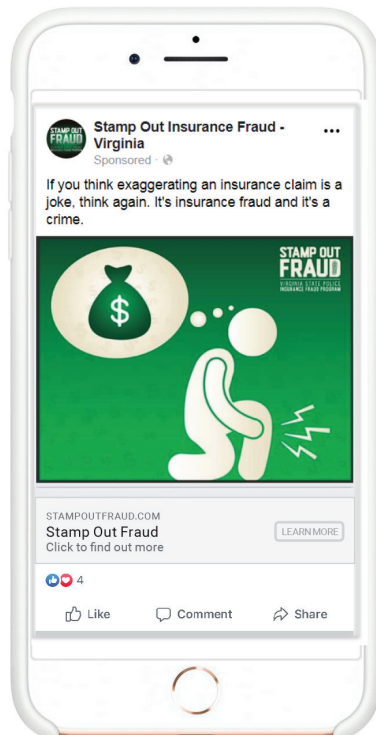
## Marketing and Communication Efforts

In celebration of IFP's 20th anniversary, a public awareness campaign was launched in the summer of 2019. The campaign was designed to build awareness of IFP, increase knowledge of the various types of insurance fraud and promote the tip line opportunity to earn a reward for reporting insurance fraud.

**REPORT INSURANCE FRAUD!**  
**EARN UP TO \$25,000**  
[StampOutFraud.com/20](https://StampOutFraud.com/20)

**STAMP OUT FRAUD**  
VIRGINIA STATE POLICE  
INSURANCE FRAUD PROGRAM

Billboards appeared in Tidewater, Central Virginia and Roanoke-Lynchburg markets and a digital advertising campaign blanketed Virginia. The campaign generated more than 27,400,000 impressions across the Commonwealth.

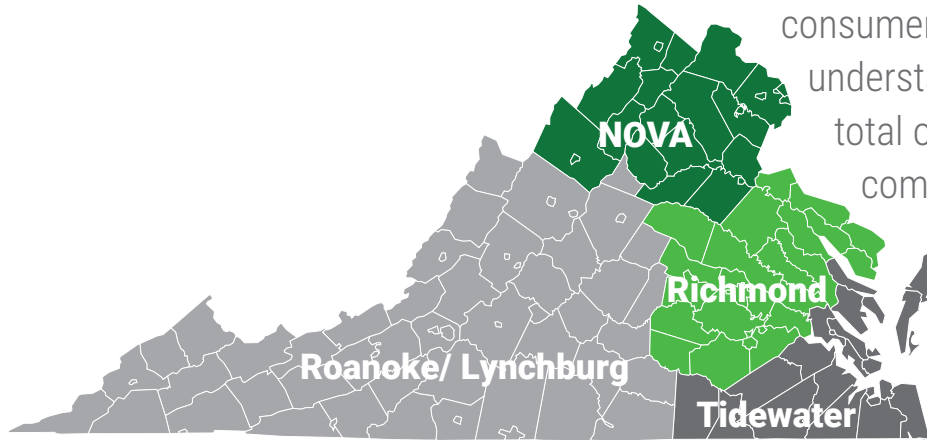






## Understanding Consumer Perceptions

In 2019, IFP conducted a survey to gain a deeper insight into consumer level of awareness and understanding of insurance fraud. A total of 1,200 individuals age 18+ completed the survey, including 300 each from Tidewater, Richmond, Northern Virginia and Roanoke/Lynchburg regions.



**6%**  
of the respondents report that they have been the victim of insurance fraud

**24%**  
personally know someone who has committed insurance fraud

### Key findings were:

- Awareness with the VSP Insurance Fraud Program is relatively low, with only **14%** of respondents reporting awareness of the program and 10 percent having some level of familiarity.
- **17%** of respondents are aware that the VSP offers a cash reward for tip information related to insurance fraud.
- **28%** of participants indicate knowing what action to take if they witness insurance fraud taking place.
- **6%** of the respondents report that they have been the victim of insurance fraud and 24% personally know someone who has committed insurance fraud.
- **54%** of survey participants feel confident that they can identify insurance fraud, and on average, respondents were 64% likely to report someone who they suspected of committing insurance fraud.
- Fewer than **1/2** of the respondents recognize the financial impact of insurance fraud on all insurance policy holders.

The survey provided a benchmark to measure consumer awareness and perception moving forward and reveals the importance of continuing our efforts to educate the public about the impact of insurance fraud on all Virginians.

## Fraud Fighter Awards 2019

*Established in 2005, 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 prevent insurance fraud and a proven commitment to assisting the insurance community. In 2019, the Fraud Fighters Award program recognized 11 law enforcement personnel, commonwealth’s attorneys and insurance industry employees whose efforts helped reduce property fraud, casualty fraud or workers’ compensation insurance fraud.*



### **VSP Special Agent Ronald Ravensbergen and Travelers Insurance Claims Representative Debra Mullins**

When Ms. Mullins spotted a contractor in the act of manufacturing damage to a home—she captured his crime on videotape. The case was referred to Special Agent Ravensbergen for investigation. Working closely with the United States Attorney’s Office and Postal Inspection Service, Special Agent Ravensbergen presented the case to the Prince William County Commonwealth Attorney’s Office. Two felony arrest warrants were obtained—one for attempting to obtain money by false pretense and the second for destruction of property. The suspect was arrested in Georgia and extradited back to Virginia, where he is now awaiting trial.

Through his investigation, Special Agent Ravensbergen learned that this suspect had committed insurance fraud in Georgia, Maryland and Virginia. His multiple schemes spanned 25 years and defrauded over 100 victims out of millions of dollars.



## **VSP Special Agent Barry Tuggle Lynchburg Assistant Commonwealth's Attorney Jessica Vormwald and Progressive Insurance Special Investigator Phillip Carey**

When a woman submitted a second claim to her insurance company for damage to her vehicle for which she had already received payment, Special Investigator Carey saw a red flag and he referred the case to VSP's Insurance Fraud Unit. Thanks to an in-depth investigation by Special Agent Tuggle and a successful prosecution by Assistant Commonwealth's Attorney Jessica Vormwald, the offender was indicted by a grand jury and charged with felony attempt to obtain money by false pretense. The fraudster pled guilty to the felony charge and was sentenced to 5 years' incarceration (4 years and 5 months suspended), 18 months' probation following her release from jail, and ordered to pay more than \$1,000 in fines.



## **VSP Special Agent Amber Boone**

AFLAC Insurance became suspicious when an insurance salesman wrote policies for 16 individuals living at two different addresses in Danville, Virginia. Special Agent Boone compiled evidence and conducted interviews across the Commonwealth and in Georgia. Based on Special Agent Boone's investigation, the offender was charged with five felony counts of obtaining money by false pretense and one misdemeanor count of petty larceny in Pittsylvania County. He was sentenced to three years in jail (30 months suspended), required to serve 18 months of supervised probation and ordered to pay nearly \$2,000 in restitution.



## **Richmond Assistant Commonwealth's Attorney Alison Martin and Norfolk Assistant Commonwealth's Attorney Ramin Fatehi**

Assistant Commonwealth's Attorney's Martin and Fatehi work tirelessly to collaborate with law enforcement and partners in the insurance industry to prosecute all aspects of insurance fraud. They share their expertise through educational presentations and in-service training programs. They are passionate about creating a positive impression of the prosecution of insurance fraud. They uphold a standard of excellence and an unwavering commitment to the mission and fight against insurance fraud in Virginia.



## **Russell County Commonwealth's Attorney Zackary Stoots, Town of Richlands Police Department Investigator Paul Little and Virginia Bureau of Insurance Investigator Michael Nancy**

Investigator Nancy delved into a number of complaints against an insurance agent, uncovering that the agent had collected premiums from consumers and used the funds for her personal use. Investigator Nancy then worked in concert with Investigator Little to prepare an extensive investigative case file to present to the Tazewell County Commonwealth's Attorney's Office. Commonwealth's Attorney Stoots successfully prosecuted the insurance agent for embezzlement and money laundering of insurance premiums. The offender was sentenced to 4 years in prison (4 years suspended) and placed on supervised probation for 3 years. She was ordered to pay more than \$16,500 in restitution to 43 policyholders defrauded and cover court costs of nearly \$500.



## **Senior Special Agent Royall Named 2019 Virginia IASIU Outstanding Public Service Award Winner**

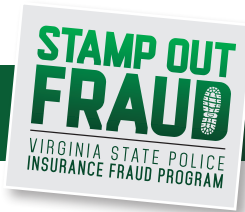
SSA William A. "Tony" Royall was recognized by the Virginia IASIU for his dedication to combatting insurance fraud in the Commonwealth of Virginia.

SSA Royall has been with the IFP since 2000, serving in the Chesapeake Field Office, the Fairfax Field Office and currently the Richmond Field Office of the Virginia State Police Bureau of Criminal Investigation. He is well known in the insurance industry and teaches each year at Red Flag.

Special Prosecutor, Allison Martin, remarked,

“ Whenever I see a file in a manila brown expandable file folder, I know it is from Tony. I then open that folder with the knowledge that the case that I'm about to review has been completely worked up, and that everything that I'm going to need for the successful prosecution of the matter will be inside. ”

The fraud fighters in the Commonwealth know Tony for his gifted wit, his talent and his exceptional record for combatting insurance fraud.



## Annual Activity Report

January - December 2019

Number of notifications received	1,894
Number of notifications declined	1,085
Number of investigations initiated	872
Number of notifications referred to other BCI divisions	7
Number of notifications referred to other agencies	23
Number of notifications involving property fraud	1,542
Motor vehicle / auto	1,246
Homeowners	246
Commercial	32
Other	26
Number of notifications involving injury / casualty fraud	284
Motor vehicle / auto	160
Homeowners	14
Commercial	33
Workers' comp	47
Other	30
Number of notifications of actual fraud (collected)	204
Number of notifications of attempted fraud	1,605
Total amount of claimed loss (collected)	\$2,751,514.74
Total amount of claimed loss (attempted)	\$21,643,433.39
Number of cases presented to Commonwealth's Attys / SP	149
Number of cases adjudicated	30
Number of arrests for insurance fraud	84
Number of convictions for insurance fraud	44
Felonies	11
Misdemeanors	32
Number of arrests for related offenses	11
Number of convictions for related offenses	5
Amount of restitution ordered	\$5,751,080.25
Number of fraud awareness presentations	18
Number of closed cases	560





## Annual Budget Summary

January - December 2019

<b>Balance</b>	<b>January 1, 2019</b>	<b>\$8,029,761.39</b>
<b>Fund Proceeds &amp; Transfers</b>		
	SCC-Rec'd July 2019	6,936,553.86
	Interest Earned	186,622.00
	Proceeds Received	7,123,175.86
	Cash Reversions	-
	Transfers to Compensation Board	(198,740.48)
	<b>Total Proceeds</b>	<b><u>\$6,924,435.38</u></b>
<b>Fund Disbursements</b>		
	Accruals - Accounts Payable	(62,281.15)
	Employee Travel Advance	48.57
	Personnel Services (Salaries & Fringes)	4,297,051.50
	Contractual Services (Postage, Telecommunications, Vehicle Repairs, Travel)	1,342,639.03
	Supplies & Materials (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies)	125,827.80
	Transfer Payments (Reward payments)	18,350.02
	Continuous Charges (Insurances, Office Rent)	225,377.72
	Equipment (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment)	652,143.56
	Plant and Improvements	103,830.64
<b>Total Disbursements</b>		<b><u>\$6,702,939.12</u></b>
<b>Balance</b>	<b>December 31, 2019</b>	<b><u>\$8,251,257.65</u></b>