

STAMP OUT FRAUD

2020 ANNUAL REPORT



VIRGINIA STATE POLICE
INSURANCE FRAUD PROGRAM

stampoutfraud.com

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Colonel Gary T. Settle
Superintendent,
Virginia State Police

REPORT FROM THE SUPERINTENDENT

2020 has been an incredibly challenging year. The worldwide pandemic of COVID-19 did not put a damper on incidences of insurance fraud—or our efforts to combat it.

Since its inception in 1999, the Virginia State Police Insurance Fraud Program (IFP) remains committed to its mission to reduce insurance fraud in the Commonwealth. In 2020, the program had an impressive record, with 1,800 notifications received, resulting in 753 investigations, 62 arrests and \$45,925 ordered in restitution.

Professional education and training remain cornerstones of IFP's work. Due to COVID-19, some of the training activities that are typically offered were postponed. But thanks to a little ingenuity and video conferencing, The Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) Annual Fraud Seminar was offered virtually.

Insurance fraud is far more common than people realize, and it is not a victimless crime. When fraudsters steal from insurance companies, we all pay for their crimes with higher premiums. In fact, insurance fraud cost the average Virginia family \$1,000 each year. That's why the program works so hard to educate the public on ways to identify, report and prevent insurance fraud. Although IFP was not able to engage in many community outreach efforts due to COVID-19 restrictions, the program maintained a high profile through stepped-up advertising, public relations and social media engagement.

We were very pleased to welcome two new members to the IFP team this year: Lieutenant C. Wayne Sumner, Support Services Division, and First Sergeant Keeli Hill, Insurance Fraud Program Coordinator. Both bring a wealth of experience and enthusiasm to their new positions. Under their leadership—and with support of the IFP special agents and analysts, the insurance industry, Commonwealth's Attorneys and citizens—we will continue to work together to 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

\$9,385,671

fraudulent insurance claims were attempted in Virginia in 2020

130.6%
decrease from 2019

1,800

cases were received in 2020

5.2%
decrease from 2019

753

investigations were initiated in 2020

15.8%
decrease from 2019

\$2,810,387

fraudulent insurance claims were collected in Virginia in 2020

2.1%
increase from 2019

1,487

cases of attempted fraud in 2020

7.9%
decrease from 2019

1,459

cases involving property fraud in 2020

5.7%
decrease from 2019



IN 2014, THE IFP BEGAN SPONSORING THE VAIASIU ANNUAL SEMINAR AND CONTRIBUTED \$30,000 IN FUNDING FOR A REGISTRATION GRANT AND PROMOTIONAL SUPPORT IN 2020.

EDUCATION AND TRAINING

28TH ANNUAL FRAUD SEMINAR VA-IASIU

The Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) is a nonprofit 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.

The 2020 annual seminar, scheduled to be held in April, was canceled due to COVID restrictions. However, VAIASIU, with the support of the Virginia State Police, presented a one-day virtual seminar featuring John E. Reid & Associates, Inc., on September 8. The morning session covered the Reid Interviewing Techniques, with the afternoon focusing on telephone interviewing techniques.



Joseph P. Buckley, President, John E. Reid and Associates, providing interview training at the VAIASIU virtual seminar.



RED FLAG TRAINING PROGRAM

The Red Flag Training Program has been rescheduled to February 2021.

MARKETING AND COMMUNICATION EFFORTS

Many community outreach programs were canceled this past year due to COVID-19 restrictions. But IFP made a concerted effort to maintain a strong presence across Virginia through increasing marketing.

Last year’s advertising campaigns were informed by the consumer research conducted in 2019. This survey of 1,200 adults showed that fewer than half of the respondents recognized the financial impact of insurance fraud on all insurance policy holders and only 54 percent were confident that they could identify insurance fraud.

With these findings in mind, IFP launched two statewide campaigns designed to educate consumers about what insurance fraud is and why they should care.

The spring campaign – from April 1 to May 15 – included gas station videos, digital banner ads and social media ads on Facebook and Instagram. A second campaign – from October 1 to November 15 – including those same elements plus radio and high-impact digital advertising.

Together, these advertising campaigns produced more than 34 million advertising impressions and reached consumers of all ages in every corner of Virginia.

**34
 MILLION
 ADVERTISING
 IMPRESSIONS**



WHAT DO YOU CALL THIS?



WHAT DO YOU CALL THIS?



If your insurance claim says this a 75" HD flat screen TV



...and this a 2020 Lexus



...your entire roof blew off



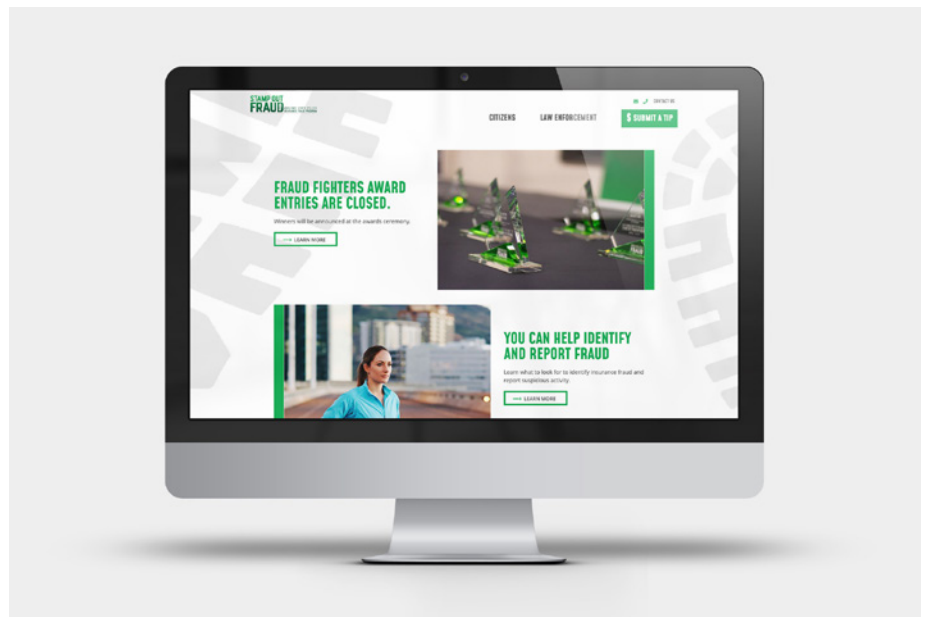
Then we say it's insurance fraud



Additional promotional tools were developed this past year that will support IFP's outreach efforts in the future. These included wrapping **branded IFP vehicles** to serve as mobile billboards from the program, as well as a tent that will be used for community events once they are permitted.



An **informational brochure** designed to educate law enforcement officers about insurance fraud was produced and distributed.



One of the highlights of this year's marketing efforts was the completion of a **new website for IFP**. Launched in December, the new site provides citizens with a wealth of educational content on insurance fraud as well as a password-protected area for law enforcement officers to enable private and secure communication on cases.



FRAUD FIGHTER AWARDS 2020

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 2020, the Fraud Fighters Award program recognized seven law enforcement personnel, Commonwealth's Attorneys and insurance industry professionals whose efforts helped reduce property fraud, casualty fraud or workers' compensation insurance fraud. Awards were presented on September 8, during the Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) annual conference, held virtually from Richmond, VA.

THE RECIPIENTS OF THE 2020 FRAUD FIGHTERS AWARD ARE:



Michael Hardiman



Ed McCullough



Michael L. Jones

Michael Hardiman, Stafford County Deputy Commonwealth’s Attorney
Ed McCullough, Detective with Stafford County Sheriff’s Office
Michael L. Jones, Senior Special Agent, Virginia State Police

Deputy Commonwealth’s Attorney Hardiman, Detective McCullough and Senior Special Agent Jones worked together to investigate and prosecute a fraudulent claim for \$120,000 for two stolen tractor-trailers in Stafford County. During the course of the investigation, witnesses at the scene said they never saw the tractors. Further investigation revealed that the insured party allegedly purchased the trailers from a shell company that he owned and that supposedly manufactured the trailers. However, he could not prove that he ever purchased the tractors, that there was a manufacturing process, or that the shell company was authorized to put VINs on a commercial vehicle. The investigators strongly suspected that the theft never occurred and, in fact, that the trailers never even existed.

In a case spanning almost three years, thanks to the diligence of this team of fraud fighters, the case ultimately ended with the accused pleading guilty to insurance fraud.



Philip Wong



Russell L. Eley III

Philip Wong, Senior Investigator with Erie Insurance
Russell L. Eley III, Senior Special Agent, Virginia State Police

Senior Investigator Wong and Senior Special Agent Eley uncovered a fraudulent claim for \$85,000 for business property damage in South Hill. A lightning claim was submitted to Erie Insurance claiming damage to gas pumps, canopy lights and a new electronic sign. However, an electrical engineer examined the property and found no evidence of lightning damage although the insured continued to push for coverage and challenged the engineer’s findings. Thanks to the persistence of Wong and Eley, the insurance company denied the claim and the file was submitted to the prosecutor’s office to pursue charges for insurance fraud.



Michael Elkins, Special Agent, Virginia State Police

Special Agency Elkins was recognized for investigating a case in Prince William County involving the theft of \$194,000 during mortgage closings.

Chuck Myers, from the State Corporation Commission—Virginia Bureau of Insurance-Real Estate Settlement Agents Investigations Section, received a consumer complaint alleging that a title company fraudulently charged \$8,000 in fees on the HUD-1 statement associated with the sale of the consumer's home. Myers and Special Agent Elkins investigated the claim and uncovered an elaborate embezzlement scheme spanning more than three years. The title company filed a claim with its fidelity bond underwriter, Liberty Mutual. Liberty Mutual used the investigative efforts of Elkins and Myers and paid the claim, and 100% of the funds were returned to the rightful owners. The fraudster was sentenced to jail time and ordered to pay restitution.



Damian Lane, Investigator with the Virginia Department of Social Services Office of Fraud Prevention and Investigation

From 2016 to 2019, Investigator Lane's efforts resulted in a total savings of more than \$1,400,000 and a 98% success rate in criminal prosecution and administrative hearing determinations of fraud.

Lane conducts criminal investigations into public assistance programs such as SNAP/Food Stamps, cash assistance, childcare, energy assistance, refugee benefit fraud, and Medicaid in the Alexandria area of Virginia. He has investigated numerous cases of ineligible persons who submitted fraudulent documents such as wage statements, tax returns, identification, Virginia residency, Social Security numbers, disability and birth certificates in order to receive public assistance. Lane has also shared his knowledge—presenting on Welfare Investigations and Interviewing Techniques to the North Carolina Fraud Investigators.

ANNUAL ACTIVITY REPORT

January - December 2020

Number of notifications received	1,800
Number of notifications declined	1,172
Number of investigations initiated	753
Number of notifications referred to other BCI divisions	8
Number of notifications referred to other agencies	24
Number of notifications involving property fraud	1,459
Motor vehicle / auto	1,220
Homeowners	182
Commercial	31
Other	24
Number of notifications involving injury / casualty fraud	235
Motor vehicle / auto	139
Homeowners	5
Commercial	21
Workers' comp	49
Other	22
Number of notifications of actual fraud (collected)	192
Number of notifications of attempted fraud	1,487
Total amount of claimed loss (collected)	\$2,810,386.65
Total amount of claimed loss (attempted)	\$9,385,670.92
Number of cases presented to Commonwealth's Attys / SP	120
Number of cases adjudicated	30
Number of arrests for insurance fraud	62
Number of convictions for insurance fraud	37
Felonies	8
Misdemeanors	29
Number of arrests for related offenses	14
Number of convictions for related offenses	3
Amount of restitution ordered	\$45,925.00
Number of fraud awareness presentations	4
Number of closed cases	789

ANNUAL BUDGET SUMMARY

January - December 2020

Balance January 1, 2020 \$3,481,261.98

Fund Proceeds & Transfers

SCC-Rec'd July 2020	2,451,631.56
Refund-Exp/Mis Disburse Pr Yr	-
Interest Earned	-
Internal Cash Transfers In	800,00.00
Proceeds Received	\$3,252,631.56
Cash Reversions	-
Internal Cash Transfer Out	(8000,00.00)
Total Proceeds	<u>\$2,451,631.56</u>

Fund Disbursements

Accruals - Accounts Payable	170.35
Personnel Services (Salaries & Fringes)	1,109,627.92
Contractual Services (Postage, Telecommunications, Vehicle Repairs, Travel)	516,627.95
Supplies & Materials (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies)	3,760.25
Transfer Payments (Reward Payments)	16,153.17
Continuous Charges (Insurances, Office Rent)	321,072.20
Equipment (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment)	153,532.83
Plant and Improvements	-
Total Disbursements	<u>\$2,120,944.67</u>

Balance December 31, 2020 \$3,811,948.87