

INSURANCE FRAUD PROGRAM

VIRGINIA DEPARTMENT OF STATE POLICE
2022 ANNUAL REPORT

**STAMP OUT
FRAUD**

VIRGINIA STATE POLICE
INSURANCE FRAUD PROGRAM

StampOutFraud.com



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Colonel Gary T. Settle
 Superintendent,
 Virginia State Police

REPORT FROM THE SUPERINTENDENT

Insurance fraud is a widespread crime that affects us all with a heavy financial impact. The Coalition Against Insurance Fraud estimates that insurance fraud costs Americans nearly \$309 billion annually—and these costs do not stop with insurers. False claims against insurance companies ultimately mean increased premiums for every Virginian.

Last year alone, there were 619 insurance fraud investigations initiated, \$14,700,017 in attempted insurance fraud claims filed, and \$156,895 in restitution ordered.

Stamping out insurance fraud has been the mission of the Virginia State Police (VSP) Insurance Fraud Program (IFP) since its inception in 1999. Fighting insurance fraud requires a team effort—IFP special agents and analysts, members from the insurance industry, the commonwealth’s attorneys, and law enforcement partners must work together. The IFP assists local law enforcement and insurance professionals with investigations and provides support through training and continuing education programs.

The IFP continues to provide public education and outreach as well. Through multiple communication channels, the IFP informs citizens on how to identify insurance fraud, what to do if they suspect this type of crime is being committed, and ways to protect themselves from becoming victims. We were pleased to welcome new leadership to the IFP team this year—First Sergeant Peter Lazear, Insurance Fraud Program Coordinator. A 24-year veteran of the Virginia State Police, First Sergeant Lazear brings a wealth of experience and enthusiasm to his new position.



First Sergeant Peter Lazear
 Insurance Fraud
 Program Coordinator

Citizens can join law enforcement in pushing back against insurance fraud. Anyone with knowledge of suspected insurance fraud can submit a confidential 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.

Through the years, the IFP has compiled impressive results, including 38,193 notifications received yielding 11,903 full investigations, 2,868 arrests, and over \$25 million (\$25,467,441) ordered in restitution. Insurance fraud is not a victimless crime; it costs the average Virginia family \$1,000 annually. That is why it is vital that we work together to continue to stamp out fraud in the commonwealth.

Sincerely,

Colonel Gary T. Settle

\$14,700,017

fraudulent insurance claims were attempted in Virginia in 2022

86.1%

increase from 2021

1,747

cases were received in 2022

7.8%

increase from 2021

619

investigations were initiated in 2022

5.5%

decrease from 2021

\$5,695,740

fraudulent insurance claims were collected in Virginia in 2022

62.6%

increase from 2021

1,366

cases of attempted fraud in 2022

7.9%

increase from 2021

1,302

cases involving property fraud in 2022

12.9%

increase from 2021

EDUCATION AND TRAINING



29TH ANNUAL FRAUD SEMINAR VA IASIU

The Virginia Chapter of the International Association of Special Investigation Units (VA IASIU) is a nonprofit organization that promotes a coordinated effort within the industry to combat insurance fraud. VA IASIU provides insurance fraud-focused annual training to benefit fraud fighters from law enforcement and the insurance industry.

With the support of the Virginia State Police, VA IASIU presented a one-day virtual seminar on March 23, 2022, at the Doubletree Hotel in Richmond. Topics covered included:

- Things We Learned During the Pandemic
- Ethics
- Prosecuting Insurance Fraud

THIS YEAR, 130 FRAUD FIGHTERS BENEFITED FROM THIS PROGRAM. IN 2014, THE IFP BEGAN SPONSORING THE VA IASIU ANNUAL SEMINAR. THE IFP CONTRIBUTED \$30,000 FOR A REGISTRATION GRANT AND PROMOTIONAL SUPPORT FOR THE 2022 SEMINAR.



RED FLAG TRAINING PROGRAM

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 Training Program. Each year, the program brings together insurance fraud investigators—SIU, NICB, and VSP—and the commonwealth's attorneys to train in a team-based environment for the sole purpose of prosecuting insurance fraud.

The theme for the 2022 Red Flag Training Program—held February 7-11 at Great Wolf Lodge in Williamsburg—was "Those Lyin' Eyes: Stopping Fraud in Virginia."

The intensive training agenda offered a broad array of topics, including:

- Fraud in a Post-COVID World
- Advanced Issues in Identity Theft
- Ethics
- Reading Financial Data and Forensic Accounting
- Lie to Me: Interview Techniques and Identifying Deception

THE IFP CONTRIBUTED \$50,000 IN SUPPORT OF THE RED FLAG TRAINING PROGRAM.

MARKETING AND PROMOTIONS ADVERTISING CAMPAIGN

The IFP maintained a strong presence across the commonwealth, thanks to a targeted multimedia advertising campaign. Informed by consumer research and taking a humorous approach, the 2022 advertising strategy targeted adults ages 25-54 who own a vehicle or home. The campaign was rolled out in two waves.

The spring campaign—May 1-June 30—included radio, connected TV (CVT), YouTube, digital banners, high-impact ads, native ads, and paid social media. This phase of the campaign was designed to educate consumers about the types of property fraud and encourage citizens to report suspected insurance fraud on the tip line.

The second wave—October 1-November 15—deployed radio, YouTube, digital banners, native ads, and paid social media. New creative messaging, introduced in the fall, highlights the possibilities that insurance fraudsters may include a cookie-baking grandmother or your nice next-door neighbor—and that insurance fraud costs us all.

Together, these two waves produced more than 40 million advertising impressions and reached consumers of all ages in every corner of Virginia.



Insurance fraud takes **\$1,000** a year out of every Virginian's pocket.

Report fraud. For a reward up to **\$25,000**.

[LEARN MORE](#)

STAMP OUT FRAUD
VIRGINIA STATE POLICE INSURANCE FRAUD PROGRAM

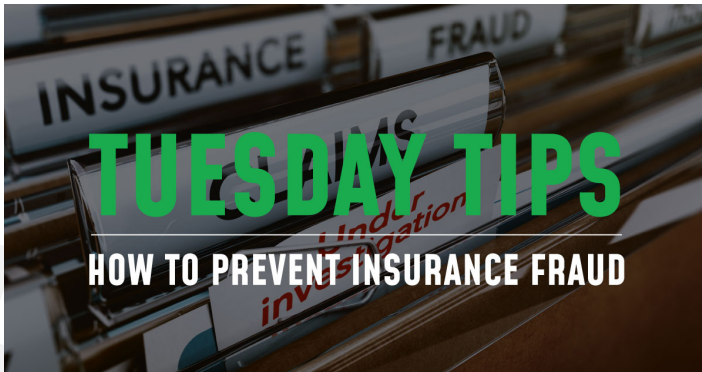


I got a free roof

SHE'S A ROBBER

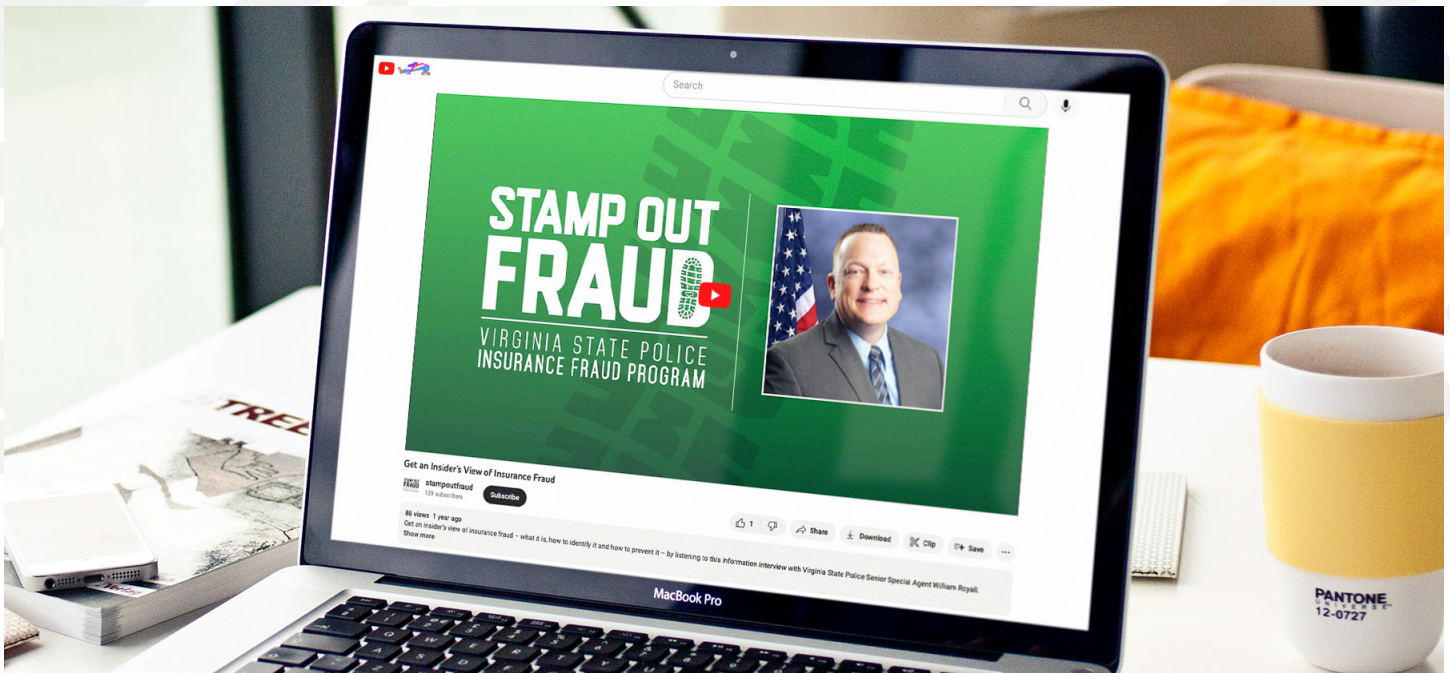
SOCIAL MEDIA ENGAGEMENT

To maintain a continuous presence, social media posts are shared on a regular basis. In August 2022, the IFP launched a 10-week social media blitz—Tuesday Tips—that delivered a new insurance fraud prevention tip each Tuesday.



STATENETS RADIO INTERVIEWS

As part of the advertising campaign, StateNets Radio produced informative interviews with IFP Coordinator First Sergeant Peter Lazear on identifying and preventing insurance fraud. The interview aired five times across Virginia in 2022 and is available on the IFP website.



RECOGNIZING PARTNERS FOR STAMPING OUT FRAUD 2022 FRAUD FIGHTERS AWARDS



THE VIRGINIA STATE POLICE FRAUD FIGHTERS AWARDS PROGRAM, ESTABLISHED IN 2005, RECOGNIZES THOSE WHO GO ABOVE AND BEYOND TO STAMP OUT FRAUD. THE AWARDS ARE BASED ON THE NOMINEES' CONTRIBUTIONS TO THE VIRGINIA INSURANCE INDUSTRY ANTI-FRAUD EFFORTS, WHICH INCLUDE THEIR INVOLVEMENT AND CONTRIBUTION TO INVESTIGATIONS, PREVENTION AND PROACTIVE ACTIVITIES, ENFORCEMENT, INTERACTION WITH THE INSURANCE COMMUNITY AND FINANCIAL IMPACT BY RECOVERIES AND RESTITUTION.

Five Fraud Fighters Awards were presented by Lieutenant David Beckner, administrator of the Insurance Fraud Program, during the VA IASIU annual seminar, held March 23, 2022, at the DoubleTree by Hilton Hotel Richmond-Midlothian.

2022 FRAUD FIGHTERS AWARD RECIPIENTS



Barry Tuggle

Senior Special Agent Barry Tuggle

Virginia State Police

Senior Special Agent Tuggle—recognized for the second year in a row—handles numerous insurance fraud notifications throughout the year, and he always pursues those cases that have the potential for successful prosecution in court. One of those cases in 2021 involved an individual who attempted to illegally obtain money from Progressive Insurance via a fraudulent vandalism claim. When questioned about the damage, the individual attempted to change her claim to hail damage.

Senior Special Agent Tuggle investigated this case and determined that the damage was old and had in fact been covered under a previous claim. In October 2021, the fraudster pled guilty to one felony count of attempting to obtain money under false pretenses. She was sentenced to 10 years in prison, with all 10 years suspended, two years on probation, plus fines and court costs.

Senior Special Agent Tuggle also served as the case agent for a lengthy, multiyear insurance fraud investigation that he initiated. That case concluded in March 2021, with an individual pleading guilty to two counts of obtaining money under false pretenses. She received a 10-year prison sentence, which was suspended, and was ordered to pay more than \$84,000 in restitution to NTA Life and Aflac for multiple fraudulent claims.



Joey Straughan

Special Agent Joey Straughan

Virginia State Police

Insurance Fraud Prosecutor Kelli Burnett

Office of the Richmond City Commonwealth's Attorney



Kelli Burnett

The second award shows the importance of teamwork across agencies. The Richmond BCI Field Office received a referral from Progressive Insurance regarding a questionable injury claim following a suspicious vehicle crash. A female passenger in the car made an injury claim for \$21,400. This same subject had eight prior claims totaling more than \$20,000 that were referred to the office previously.

While there was insufficient evidence to prosecute the individual for the earlier cases, the latest case was assigned to Special Agent Straughan. He reviewed the entire case file, conducted a thorough investigation, and presented the case to Insurance Fraud Prosecutor Burnett.

Ms. Burnett took the case to the grand jury, which returned an indictment for one count of obtaining money under false pretenses. In April 2021, the subject was arrested and pled guilty to the charge. She was given a sentence of five years, which was suspended for a period of 10 years, under the condition that she complete the Chesterfield Country Center for Risk Reduction Program and pay restitution to Progressive Insurance.

From 2016 to 2018, this subject had made false claims to insurance companies for nearly \$30,000.



William Royall

Senior Special Agent William Royall

Virginia State Police

In January 2021, the Commonwealth's Attorney of Nottoway County contacted Senior Special Agent Royall regarding possible insurance fraud involving prepaid funeral contracts made by Jennings-McMillian Funeral Home in Crewe, Virginia.

Through his investigation, Senior Special Agent Royall discovered that the owner of the funeral home was fraudulently acting as an agent for Assurant Group and was initially suspected of pocketing at least \$30,000 in payments made by families to cover future funeral expenses. Local media coverage helped identify even more victims; the number rose to seven and the amount of fraud increased to more than \$50,000.

Following a presentation to the grand jury in July 2021, the suspect was indicted on seven felony counts of obtaining money under false pretenses. In November 2021, the suspect pled guilty and was sentenced to 10 years, which was suspended except for two years and one month, and three years of supervised probation for the first count. He received a 10-year suspended sentence on the remaining six counts and was ordered to pay more than \$54,000 in restitution.



Ron Brown

Senior Investigator Ron Brown

Virginia Bureau of Insurance

In September 2021, the Virginia Bureau of Insurance received a complaint from Erie Insurance Company alleging that Amy Nicole Smith, an insurance agent in Winchester, Virginia, had embezzled funds from Walter & Walter Insurance Agency, where she was employed.

The case was assigned to Senior Investigator Brown, who immediately began obtaining information on Ms. Smith and documents from Walter & Walter.

Through his analysis of the financial records, Senior Investigator Brown determined that Ms. Smith would pay for insurance policies for herself and her family members using funds from Walter & Walter's premium trust account. Over the course of several years, she had embezzled more than \$70,000.

In December 2021, she was indicted by a grand jury on 10 counts of embezzlement, and this case is expected to be tried later this year.

2022 IFP HIGHLIGHTS

- JULY 21** A new VSP Insurance Fraud Referral Form is introduced. The streamlined form now makes it easier for citizens and insurance carriers to report suspected insurance fraud and is available on the Submit a Tip page of StampOutFraud.com.
- AUGUST 2** IFP Coordinator First Sergeant Peter Lazear presented an overview of the IFP at GEICO Insurance Headquarters in Virginia Beach.
- AUGUST 5** The IFP was featured in the “Friday Spotlight” section of Fraud News Weekly, the Coalition Against Insurance Fraud newsletter.
- AUGUST 8** The IFP, with support from the VSP IT team, initiated a centralized file-sharing platform for insurance fraud special agents as they navigate the digital world of file sharing with insurance carriers.
- AUGUST 22** The IFP participated in a Partnership for Petersburg event featuring Governor Glenn Youngkin, Mayor Sam Parham, VSP Colonel Gary Settle, and hundreds of other community leaders.
- SEPTEMBER 28** StateNets Radio interviewed IFP Program Coordinator First Sergeant Peter Lazear—helping to build public awareness of insurance fraud.
- OCTOBER 3-6** The IFP was represented at the National Fraud Directors’ Conference in Boston, Massachusetts—bringing together government officials from 27 states to discuss insurance fraud prevention and investigation matters.
- DECEMBER 9** IFP Coordinator First Sergeant Peter Lazear was named Ad Hoc Law Enforcement Liaison for VA IASIU.

ANNUAL ACTIVITY REPORT

January - December 2022

| | |
|---|--------------|
| Number of notifications received | 1,747 |
| Number of notifications declined | 1,092 |
| Number of investigations initiated | 619 |
| Number of notifications referred to other BCI divisions | 0 |
| Number of notifications referred to other agencies | 8 |
| Number of notifications involving property fraud | 1,302 |
| Motor vehicle / auto | 949 |
| Homeowners | 237 |
| Commercial | 25 |
| Other | 80 |
| Number of notifications involving injury / casualty fraud | 259 |
| Motor vehicle / auto | 123 |
| Homeowners | 6 |
| Commercial | 24 |
| Workers' comp | 49 |
| Other | 69 |
| Number of notifications of actual fraud (collected) | 124 |
| Number of notifications of attempted fraud | 1,366 |
| Total amount of claimed loss (collected) | \$5,695,740 |
| Total amount of claimed loss (attempted) | \$14,700,017 |
| Number of cases presented to Commonwealth's Attys / SP | 90 |
| Number of cases adjudicated | 23 |
| Number of arrests for insurance fraud | 32 |
| Number of convictions for insurance fraud | 24 |
| Felonies | 6 |
| Misdemeanors | 18 |
| Number of arrests for related offenses | 15 |
| Number of convictions for related offenses | 1 |
| Amount of restitution ordered | \$156,895 |
| Number of fraud awareness presentations | 5 |
| Number of closed cases | 566 |

ANNUAL BUDGET SUMMARY

January - December 2022

| | | |
|--------------------------------------|---|------------------------------|
| Balance | January 1, 2022 | \$5,466,906.28 |
| Fund Proceeds & Transfers | | |
| | SCC-Rec'd July 2021 | \$7,848,670.22 |
| | Interest Earned | \$22,994.36 |
| | Internal Cash Transfers In | - |
| | Proceeds Received | \$7,871,664.58 |
| | Cash Reversions | - |
| | Transfers to Compensation Board | (\$401,980.63) |
| | Internal Cash Transfer Out | - |
| | Total Proceeds | <u>\$7,469,683.95</u> |
| Fund Disbursements | | |
| | Accruals - Accounts Payable | \$36,540.33 |
| | Employee Travel Advance | (\$48.57) |
| | Personnel Services (Salaries & Fringes) | \$3,757,876.99 |
| | Contractual Services (Postage, Telecommunications, Vehicle Repairs, Travel) | \$1,581,543.73 |
| | Supplies & Materials (Apparel, Office Supplies, Gasoline, Law Enforcement Supplies) | \$63,585.01 |
| | Transfer Payments (Reward Payments) | \$15,682.32 |
| | Continuous Charges (Insurances, Office Rent) | \$77,527.08 |
| | Equipment (Computers, Electronic, Vehicles, Office Furniture, Law Enforcement Equipment) | \$535,339.70 |
| | Plant and Improvements | - |
| | Total Disbursements | <u>\$6,068,046.59</u> |
| Balance | December 31, 2021 | <u>\$6,868,543.64</u> |