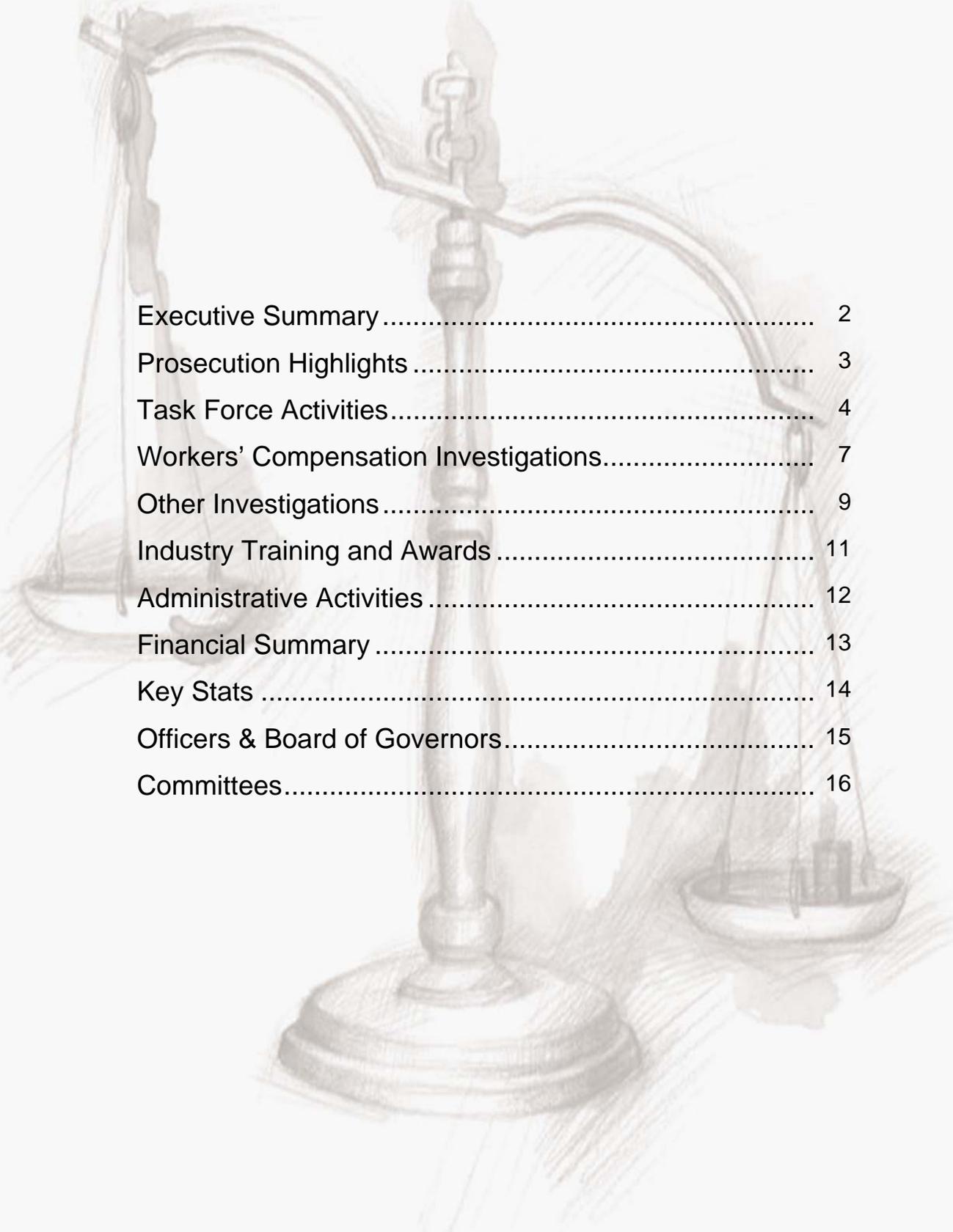




# ***2010 Annual Report***



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# Executive Summary

During 2010, the Insurance Fraud Bureau continued its mission to reduce and eliminate fraud from the insurance scene in Massachusetts. This year, we referred for prosecution a record (191) cases involving insurance fraud schemes of all types. The following pages will offer a glimpse of the kinds of cases we often see.

The IFB prides itself on the working relationship it maintains with a variety of prosecuting offices. While the Massachusetts Attorney General remains our primary partner for referring cases, we also refer many cases having interstate or federal venue to the US Attorney's office in Boston. In addition, our Community Insurance Fraud Initiative (CIFI) has us working with most of the District Attorney's across the Commonwealth.

During 2010, we added another CIFI partner, the District Attorney from Berkshire County, focusing on the city of Pittsfield.

It has been documented in past years that the successes of the CIFI program have largely contributed to the reduction in auto premiums in the state, and the successful transition to competition. As we continue to monitor results in the CIFI communities, it is important to note that there has not been a sign of deterioration in what we have accomplished. Nevertheless, we are concerned that budgetary pressures on a variety of local police departments have caused a reduction, and in one case a complete elimination, of police support to the task forces. We are maintaining our investigator presence in those communities in spite of this resource reduction, and we hope that the commitment returns to former levels.

We implemented several restrictions to our employee benefits plans to reflect current marketplace and economic realities. These changes were accepted with understanding by our staff, and we had limited turnover as a result.

The IFB has been selected to host the 2011 National Fraud Directors Conference in October. Also, in May, we will mark our own 20<sup>th</sup> anniversary with a ceremony honoring those in the fraud-fighting community who have served above and beyond the norm.

I want to take this opportunity to thank all of the industry members who serve on the variety of committees that guide the IFB. Our Board of Governors, in particular, has been very supportive in keeping the IFB a leading fraud-fighting entity.



Executive Director

## Prosecution Highlights

Prosecution activity on IFB cases is initiated by the offices of the Attorney General, District Attorneys and the U.S. Attorney frequently throughout the year. The IFB communicates court activity through regular postings to its website and publication of the IFB newsletter *focusFraud*. The next several pages provide highlights of some of the significant prosecution activity that occurred in 2010.

A Massachusetts woman pled guilty to a 23 count indictment charging her with conspiracy and multiple counts of mail fraud, wire fraud, identity fraud, social security fraud and false statements on health care matters. The woman, who had been a fugitive until her apprehension early in 2010 and was featured on Fox's America's Most Wanted, was sentenced to 51 months imprisonment and ordered to pay over \$340,000 in restitution. The woman, along with her husband, submitted false insurance claims that they had ingested glass found in food they had eaten at restaurants and grocery stores in Massachusetts, Rhode Island, Maryland and the District of Columbia. The couple, from at least August 1997 through June 2005, engaged in an insurance fraud scheme in which they falsely claimed that various hotels, restaurants and supermarkets had served them food with glass particles. Although in some instances the couple may have actually ingested glass particles, those glass particles did not come from food they had been served. Rather, the couple intentionally ingested the glass particles and then falsely claimed that the restaurants, hotels and supermarkets had caused the particles to be in food that they were served. In connection with their scheme, the couple submitted their various glass ingestion claims under a variety of identities, using false identification and false social security number information. Through their fraudulent scheme, the couple obtained in excess of \$200,000 and incurred over \$100,000 in medical bills. The husband pled guilty in 2007 and was sentenced to 63 months imprisonment.

A Methuen woman and her asbestos company pled guilty to unemployment tax evasion, workers' compensation fraud and larceny by false pretenses. She was sentenced to eight years probation and ordered to pay \$209,000 in restitution. Investigation revealed that the woman and company misrepresented the company's payroll in 2003 by approximately \$1.3 million. During the company's annual workers' compensation audit in February 2004, the owner provided documentation to the company's workers' compensation insurance carrier indicating that the company's payroll was only \$223,809. Payroll checks the company had issued to its employees showed the company's true payroll for 2003 was \$1.6 million. This misrepresentation reduced their workers' compensation insurance premium and resulted in defrauding their insurer by \$138,000. The woman directed company employees to cash their paychecks for a fee at a Lawrence liquor store. The company then bought back the paychecks from the store for 102 percent of their value. Of the nearly 5,000 paychecks totaling \$1.6 million in payroll for 2003, none were processed through a banking institution. In addition, the company underreported its quarterly payroll to the Division of Unemployment Assistance which allowed the company to reduce its tax liability in 2003 by \$71,000.

## Task Force Activities

Since 2003, fourteen Community Insurance Fraud Initiative (CIFI) task forces have been created to investigate insurance fraud within specific Massachusetts communities and regional areas with the goal of reducing the number of fraudulent automobile accidents and resulting claims reported. Since its inception the program has made progress in reducing the number of fraudulent claims in the target cities with savings passed along to policyholders.

Each CIFI works closely with local police departments and prosecutors from the offices of the district attorneys and attorney general. However, with some local police departments experiencing budgetary pressures, challenges have arisen in some of the CIFIs with the amount of local police support now available. The CIFIs will continue to maintain an investigative presence in all established CIFI towns and strive to combat insurance fraud. CIFI programs are established in Boston, Brockton, Chelsea, Lawrence, Lowell, Lynn, New Bedford/Fall River, Randolph, Revere, Springfield/Holyoke and Worcester. In 2010, the IFB expanded its CIFI program with the creation of a Pittsfield CIFI in Berkshire County.

Below are some highlights of CIFI successes occurring in 2010.

- A Lawrence man pled guilty to motor vehicle insurance fraud, attempt to commit a crime and conspiracy. He was sentenced to serve six months in the House of Correction. Another subject reported that while driving his 1994 Honda Accord on June 23, 2003 he was hit from behind and pushed into a concrete wall by another Honda Accord. The Lawrence man was listed as a passenger in the 1994 Honda at the time of the accident. The operators of the two vehicles as well as their passengers all reported alleged injuries sustained in the accident. An accident reconstruction concluded the accident did not happen. Charges against the other five subjects in the case were previously continued without a finding.
- A Quincy man pled guilty to charges of motor vehicle insurance fraud and attempt to commit a crime. He was placed on probation for one year. On May 10, 2007 the man reported that he was sitting in his 1995 Lincoln Continental when another vehicle backed into the front of the Lincoln. He reported that he sustained injuries as a result of the accident but the operator of the other vehicle and a witness stated that no one was in the Lincoln at the time of the impact.
- A North Adams man pled guilty to motor vehicle insurance fraud. He was placed on probation for one year. The man submitted a claim reporting his 2006 Toyota Scion had been damaged on December 5, 2009. The man claimed that he had the Toyota in reverse when his sister opened the passenger door and was damaged when it hit a cement wall. Investigation revealed that the man reported a claim for similar damage which occurred on June 15, 2009 and for which he was paid \$476. The man admitted that he fraudulently submitted the second claim after changing insurance carriers.
- A Northborough man admitted to sufficient facts on motor vehicle insurance fraud charges. The case was continued without a finding for two years. He was ordered to pay \$15,000 in restitution and \$1,000 in court costs and to perform 100 hours of

## Task Force Activities

community service. The man, owner of a tow company, submitted false information in connection with two accident claims. The first accident on September 24, 2007 involved a Toyota Scion owned by the tow company as a service vehicle. The owner submitted a loss of use claim for the Scion in the amount of \$33,319 which was later increased to \$55,975 when the Scion's return to service was delayed. In support of the claim, a spreadsheet detailing six weeks of service calls allegedly made by the Scion was provided to the insurance company. An audit of the spreadsheet determined that the information provided was falsified to increase the amount of the loss claim. The second claim involved a December 17, 2007 collision between a company-owned tow truck and a 2006 BMW. A claim was submitted for the cost of obtaining a rental tow truck and invoices were provided in support of the claim. Investigation revealed that the tow truck was not taken out of service.

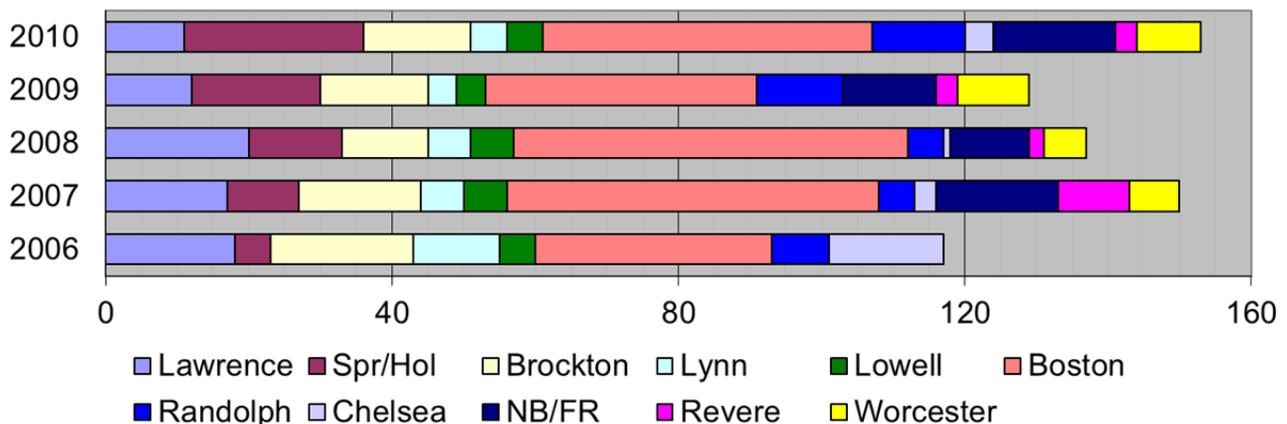
- An Oxford man pled guilty to a charge of false report of a motor vehicle theft. He was placed on probation for six months. The man reported to his insurance company that his 2004 Pontiac Grand Prix had been recovered burned by Connecticut police. He claimed that he last saw his vehicle in his driveway, that he was in possession of all keys and that the vehicle was unlocked at the time of the alleged February 2, 2008 theft. An expert examination of the vehicle revealed that the vehicle was equipped with a transponder key, the ignition lock system was in tact and the use of the correct key was needed to operate the vehicle. The man admitted to police he drove the Pontiac to Connecticut and burned the vehicle prior to making the theft report to local police.
- A Dorchester man pled guilty to motor vehicle insurance fraud. He was sentenced to serve 30 days in the House of Correction concurrent with another sentence on an unrelated case. The insured operator of a 1990 Jeep Cherokee reported that on August 28, 2008, while backing out of a parking space, he struck a 2003 Chevrolet Avalanche. The insured and witnesses stated there were no occupants in the Chevrolet at the time of impact. The Dorchester man claimed he was in the Chevrolet at the time of the impact and claimed he sustained injuries as a result of the collision.
- A Fall River man pled guilty to motor vehicle insurance fraud and false report of a crime. He was sentenced to 18 months in the House of Correction, suspended for two years. On January 24, 2008 the man reported the alleged theft of the radio from his 2004 Corvette. The man stated that the Corvette was locked and had been inside a locked garage at the time of the alleged theft. A forensics examination of the vehicle determined there were no signs of forced entry to the vehicle. The man subsequently contacted police to report that the radio had been recovered. Investigation revealed that the radio had been sold by the man's son to a co-worker. After the person who bought the radio suspected the property he bought was stolen, he returned the radio to the son and reported his suspicions to his employer. The Fall River man, however, continued to pursue his theft loss after the return of the radio.
- A Chicopee woman pled guilty to charges of insurance fraud. She was sentenced to two years in the House of Correction with 216 days already served and the

## Task Force Activities

balance suspended for two years and ordered to pay \$4,953 in restitution. The woman was involved in a single vehicle accident on December 29, 2006 and claimed injury to her hand, neck, shoulder, knee and headaches. She submitted an insurance claim for lost wages and received \$4,953 in lost wage payments. To support her claim, she submitted disability forms for the period February 21, 2007 to May 4, 2007. Upon review of the documents, it was discovered that the woman created false documentation in support of her claim. Additional investigation determined that she was not employed when she claimed lost wages.

- A Boston man was found guilty of motor vehicle insurance fraud and larceny. He was sentenced to two years probation and ordered to pay \$4,110 restitution. The man reported that his 1990 BMW was rear-ended by a Volvo on April 2, 2003 in a mall parking lot. No police were called to the scene. The operator of the Volvo made no claims for either damage or injury to her insurance carrier. The man claimed alleged injuries sustained from the collision and the BMW was declared a total loss. A subsequent vehicle analysis of both vehicles determined that the majority of the damage to the rear of the BMW was not caused by a collision with the Volvo, but was struck by a large circular object such as from another vehicle with a spare tire mounted on it.
- A Brockton man was found guilty of attempt to commit a crime. He was sentenced to two years in the House of Correction with one year to serve. A second subject had previously been found guilty of insurance fraud charges. On November 24, 2005, a Brockton woman, while operating a 1995 Nissan Altima, slid off the roadway on black ice and struck a stop sign. The police report listed the Brockton man and other passengers in the Nissan at the time of the accident; and all claimed injuries as a result of the accident. The operator of the Nissan subsequently admitted that the Brockton man and another passenger had exited the Nissan before the accident occurred but re-entered the vehicle before police arrived so they could report they were injured in the accident.

CIFI Cases Referred to Prosecutors



# Workers' Compensation Investigations

The IFB's workers' compensation fraud unit investigates both claimant and premium evasion cases, with an emphasis on premium avoidance cases. A sampling of 2010 court activity highlights follows.

- A Westwood equipment corporation and its comptroller engaged in a \$2.3 million hidden payroll scheme defrauding its insurance carrier of more than \$175,000 in workers' compensation premiums between October 2004 and October 2006. Both pled guilty to workers' compensation fraud charges. The corporation was sentenced to five years probation and ordered to pay \$200,000 in restitution. The comptroller was sentenced to one year probation. The president of the equipment corporation was also president of two sister companies. Investigation revealed that workers' compensation policy coverage was only obtained for the employees of the equipment corporation. When an employee from one of the sister companies was injured while working at a job site, the claim was made under the equipment corporation workers' compensation policy. The injured employee, when questioned by the insurer, stated that he had worked for the sister company for 40 years. An investigation commenced and revealed that a second employee was also claimed under the equipment corporation workers' compensation policy.
- The owner of a now defunct Worcester temporary employment company pled guilty to a total of 65 counts of violating the Massachusetts wage and hour laws and committing insurance and tax fraud. The owner was placed on probation for five years and ordered to pay \$500,000 restitution. Investigators discovered that a substantial number of employees, all of whom were paid in cash, were not paid the statutory minimum wage or overtime rates in accordance with Massachusetts law for the period of September 2007 to September 2009. From 2004 through 2008, the company collected over \$20 million by providing temporary employees to client companies, while paying out approximately \$11 million in cash wages. The company failed to disclose this \$11 million cash payroll to its workers' compensation carrier as well as to the MA Department of Revenue for purposes of unemployment insurance contributions and corporate excise tax filings. The company also failed to file corporate tax returns from 2002 through 2007. The estimated loss to the Commonwealth as a result of the unemployment insurance fraud was estimated at over \$655,000. The loss to the insurance company was estimated to be at least \$509,000 in unpaid insurance premiums.
- A South Hadley man, owner of a roofing company, was arraigned on workers' compensation fraud and larceny charges. Investigators discovered that during a four year period, between May 2004 and May 2008, the owner allegedly misclassified his workers as carpenters, instead of roofers, in order to avoid paying higher workers' compensation insurance premiums. The owner reported to his insurer that he had a carpentry business and that any roofing was subcontracted to other businesses. The result was a loss of \$107,000 in workers' compensation premiums owed. Investigation revealed that the owner had allegedly employed full-time roofers since his first policy in May 2004.

## ***Workers' Compensation Investigations***

- A Middleboro man admitted to sufficient facts on charges of workers' compensation fraud and larceny. The charges were continued without a finding for one year and he was ordered to pay \$5,015 in restitution. The man was employed as a groundskeeper at a golf course on June 6, 2006 when he reported that he was allegedly injured on the job and broke three bones in his right foot. He treated for his injuries and filed for and collected workers' compensation benefits from his employer's insurance carrier. The insurance company later received an anonymous tip that the man was not injured at work as reported. The man admitted to investigators that his injury was not work-related and that he had lied in order to obtain medical and lost wage benefits.
- A Holliston man and his business pled guilty to unemployment fraud, failure to withhold state income tax, workers' compensation fraud and larceny. The owner was sentenced to 18 months in the House of Correction, suspended for five years with supervised probation, and ordered to pay \$59,502 in restitution. The company was ordered to pay \$51,850 in restitution to its insurance provider and pay a \$20,000 fine on the charge of unemployment insurance fraud. In an effort to obtain a lower workers' compensation premium, the owner and company underreported its actual payroll by not reporting approximately \$800,000 in payments to undisclosed employees and not reporting overtime compensation. An auditor from the insurance company discovered corporate tax returns filed for nearly \$400,000 in payments to subcontractors had not been disclosed in the premium audit. As a result of this premium avoidance scheme, the company underpaid a total of \$51,850 in premium payments. By underreporting its payroll to its payroll administrator during the relevant dates, the owner and company underpaid the Department of Unemployment Assistance in the amount of \$21,181 of unpaid assessments and failed to withhold over \$38,322 in state income taxes to the Department of Revenue.
- A Billerica man pled guilty to workers' compensation fraud and larceny. He was placed on probation for five years and ordered to pay \$28,558 restitution. Investigation revealed that in July 1997 the man suffered a legitimate injury while working as a heavy equipment operator and began collecting workers' compensation benefits from his employer's insurer. He collected benefits from July 1997 until July 2004, and received a \$15,000 lump sum settlement in April 2005. Investigators discovered that between June 2003 and January 2005 the man was employed and collected paychecks from four different employers. Although he was permitted to earn some income because he received "partial incapacity benefits," he was required to disclose his earnings to the insurer. Because of the man's failure to disclose his earnings and the production of false information to both the insurer and the Department of Industrial Accidents, he received over \$28,000 in benefits to which he was not entitled.

## Other Investigations

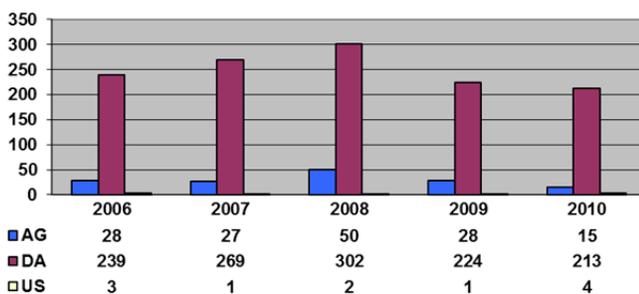
While most of IFB investigative efforts are in the workers' compensation and automobile insurance lines, the IFB also investigates agent, provider and other types of insurance fraud. Below is a sampling of other significant activity investigated and prosecuted in 2010.

- A Charlestown insurance agent was sentenced to two years in the House of Correction with five years of probation and ordered to pay \$456,994 in restitution. The agent defrauded numerous victims by issuing false certificates of insurance and falsely billing customers for non-existent policies. He sold umbrella and excess insurance policies to fourteen owners and property managers for residential housing units who were existing customers of the insurance agency. The agency collected more than \$547,000 in premiums from the customers. However, unbeknownst to the agency, their agent had secured a mail box under a bogus insurance agency name and utilized this name to pocket premiums for non-existent policies by causing the bogus agency to invoice the Charlestown agency for the premium alleged to be owed. Money paid to the bogus agency went into a bank account which had been opened by and for the agent doing business as the bogus agency. By creating fictitious certificates of insurance he fraudulently pocketed premiums totaling approximately one half million dollars.
- A West Hartford, CT man pled guilty to charges he schemed to fraudulently collect over \$22,000 in disability benefits while working. He was placed on probation for two years and ordered to pay \$22,135 in restitution. The man, while working as a Springfield public school teacher, purchased short term disability (STD) and long term disability (LTD) insurance in April 2001 through his employer. He applied for and was approved for STD benefits in May 2004 and then LTD benefits in August 2004. In July 2006, he informed the insurance carrier that he would be returning to work in October 2006. As a result, he was sent a lump sum payment to close his claim. In October 2006, however, the man requested that his LTD claim continue based on a new health-related diagnosis that prevented him from returning to work. The man's claim was re-opened and he began receiving benefit payments in November 2006. Despite receiving LTD benefits, the man started a new \$70,000 job as an assistant principal in New Haven, CT, and did not inform the insurance carrier of his employment status.
- A Malden man was arraigned on charges that he allegedly stole valid information from Massachusetts driver's licenses and used that information to create fraudulent commercial auto insurance policies for individuals who could not lawfully obtain those policies. In addition, a Milford woman who was a licensed insurance agent, was arraigned on charges of motor vehicle insurance fraud, accepting gifts to influence business affairs, conspiracy to commit insurance fraud and larceny. The pair allegedly used the valid licenses of unsuspecting former customers and then created fraudulent commercial motor vehicle insurance policies for the man's clients listing them as drivers. The pair allegedly accepted payment from these clients in order to create the fraudulent policies.

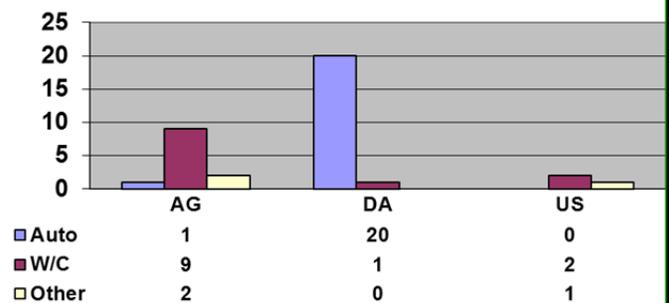
## Other Investigations

- A New Hampshire woman pled guilty to motor vehicle insurance fraud, larceny, insurance fraud and attempted larceny. She had been accused of embellishing several insurance claims and fraudulently collecting lost wages. She was sentenced to probation for one year and ordered to pay \$11,700 in restitution. The woman suffered legitimate injuries from a dog biting incident in August 2002 and received a settlement from her insurance company. The woman sustained additional injuries as the result of an auto accident in February 2003. In an effort to embellish her insurance claim, she claimed the injuries she sustained from her previously settled August 2002 claim. The second insurer paid her \$20,000 in compensation for her total injuries and purported loss of wages as a result of the accident. At the time of the accident the woman claimed to be employed at a restaurant/bar that had actually closed in July 2002, before any of the alleged injuries occurred. In addition, on three separate instances occurring on diverse dates in April 2003, September 2004, and January 2005, the woman embellished insurance claims as the result of minor motor vehicle accidents citing the injuries, medical reports, and loss of wage claims from the August 2002 and February 2003 settlements.
- A Swampscott man, owner/president of an automotive store and treasurer of a glass company, was indicted on insurance fraud, larceny over \$250 by false pretence and attempted larceny charges in connection with collecting over \$28,000 in fraudulent insurance claims for work allegedly performed at the two companies. From January 2006 through December 2009, the man allegedly perpetrated a scheme in which he made false statements on invoices and other records that he submitted to insurers to collect payments for work that was not performed on motor vehicles. Employees at the two companies perform work on motor vehicles, which includes glass repairs and replacement, sunroof repairs, the installation of sunroofs, and other automotive repairs and installations. The man allegedly created and submitted fraudulent invoices and other records to insurers for work that he falsely claimed were performed on customers' motor vehicles. The insurers then reimbursed the man's businesses for the work that was allegedly not performed.

**Indictments & Complaints by Year and Prosecuting Office**



**2010 Convictions by Line of Insurance**



## Industry Training and Awards

The IFB continues to promote public awareness of the fight against insurance fraud. In 2010, press coverage on automobile and workers' compensation insurance fraud cases appeared in local newspapers and publications; three issues of the IFB's newsletter *focusFraud* were distributed to personnel of law enforcement and public agencies, insurance companies and others; and the IFB website was revitalized with increased information and current prosecution activity.

Timely industry and governmental communications are a key objective of the Bureau. IFB maintains a company liaison program with many Massachusetts insurance companies providing each insurer with a specific IFB investigative contact to answer questions and concerns. A quarterly status report on referrals from the company is also sent to each carrier.

IFB provides the Massachusetts legislature with semi-annual activity reports as required by its enabling legislation. Additionally, IFB produces semi-annual reports on insurance fraud-related court activity involving the district attorneys participating in the CIFI program.

The IFB also provided guest speakers and training to national and local organizations in 2010.

- On a national level, IFB staff spoke at the National Health Care Anti-Fraud Association Annual Training Conference, the Insurance Services Organization Insurance Fraud Management Conference, the PAAS Annual Forum, the Workers' Compensation Insurance Organization and the National Consumer Law Center's Annual Consumer Rights Litigation Conference on topics of premium evasion fraud, workers' compensation fraud, anti-fraud initiatives and financial investigations.
- The IFB also supplied speakers to local professional organizations including the New England Health Care Internal Auditors Spring Conference, Office of the State Fire Marshal, Massachusetts State Police as well as roll call, cadet and in-house training in various local police departments and anti-fraud awareness training at several Massachusetts contracting companies and civic organizations.
- The IFB's annual training seminar was held on October 28, 2010 in Randolph, MA with 160 attendees from insurance companies, police and fire departments, public agencies and the private sector. Topics included identity theft, life insurance fraud and arson investigation.

In 2010, the U.S. Attorney's Office for the District Of Massachusetts recognized two IFB staff as well as investigators from the U.S. Postal Inspection Service and the National Insurance Crime Bureau for exceptional service on a major case worked with the U.S. Attorney's Office. This Law Enforcement/Public Service Awards Ceremony was held at the Moakley Federal Courthouse.

## **Staff and Training**

While authorized staffing remained level in 2010, IFB added six new investigators replacing open positions due to turnover in late 2009 and early 2010. IFB had 42 authorized investigator positions at year end, in addition to 14 executive, analytical and other support positions. The Automobile Insurers Bureau of Massachusetts (AIB) continued to provide executive and administrative support to IFB in the areas of human resources, accounting, I.T., and facilities management, equivalent to over six full-time staff members.

During 2010, IFB personnel attended training seminars to learn new techniques in fighting all aspects of insurance fraud. Seminars attended include the Annual Seminar and Expo on Insurance Fraud sponsored by the International Association of Special Investigation Units, National Association of Certified Fraud Examiners as well as local Boston Chapter CFE training sessions, New England Association of Insurance Fraud Investigators annual conference plus local chapter training sessions, International Association of Law Enforcement Intelligence Analysts annual conference, National Healthcare Anti-Fraud Seminar, New England Fraud Investigators Association conference, International Association of Financial Crimes investigators, National Fraud Directors Conference, Insurance Fraud Managers Conference, New England State Police Information Network workshops, National White Collar Crime Center workshops as well as meetings and training provided by local detectives and police chiefs associations.

## **Office Facilities**

The move to “managed competition” for Massachusetts auto insurance in 2008 resulted in staff reductions at the AIB. Since then AIB has been seeking to sublet roughly half of its 101 Arch Street space. The common management structure of IFB and AIB translated into a cooperative effort to market up to 10,000 square feet in either AIB or IFB’s Boston facilities. In 2010, an organization agreed to sublease roughly 9,000 square feet of the IFB’s office space in Boston. To accommodate this sublease, IFB relocated from its 6<sup>th</sup> floor accommodations to the AIB’s 7<sup>th</sup> floor space, and AIB staff moved to IFB’s remaining space on the 6<sup>th</sup> floor. This transaction was done with no financial impact to IFB as all of the costs to relocate IFB were borne by AIB.

In addition to its home office in Boston, IFB maintained CIFI branch offices in eight Massachusetts communities - Brockton, Lawrence, Lowell, Lynn, Randolph, New Bedford, Springfield and Worcester.

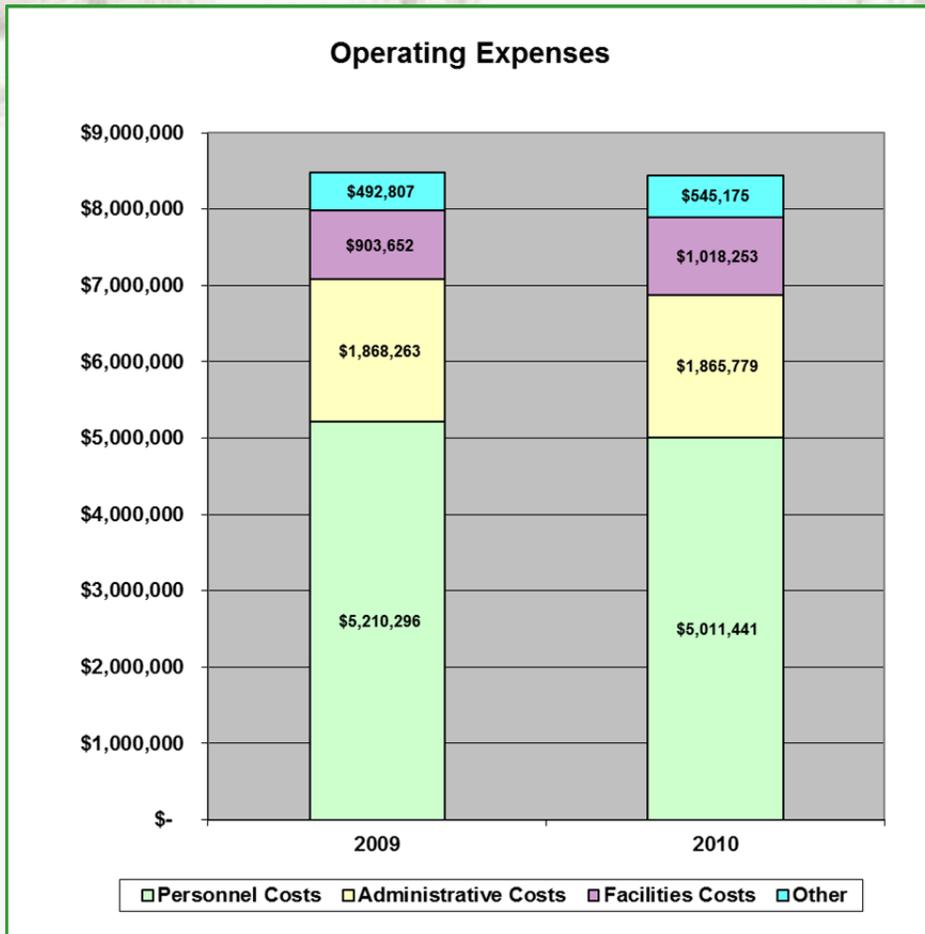
## **Benefits Changes**

After conducting a benefits survey in 2009, IFB changed its retirement benefit programs in 2010 to align with insurance industry benefits. Most significant of these was the implementation of a retiree health insurance program using Health Reimbursement Accounts to replace IFB’s previous open-ended retiree health benefit. This change brings more certainty to IFB’s future expenditures for this benefit.

## Operating Results

	<u>2009</u>	<u>2010</u>
<b>Revenues</b>		
Assessments	\$ 8,307,530	\$ 8,151,404
Other Income	406,384	466,835
<b>Total Revenue</b>	<b>\$ 8,713,914</b>	<b>\$ 8,618,239</b>
<b>Expenses</b>		
Personnel Costs	\$ 5,210,296	\$ 5,011,441
Facilities Costs	903,652	1,018,253
Administrative Costs	1,868,263	1,865,779
Professional Services	92,807	70,175
DA Funding *	400,000	475,000
<b>Total Operating Expenses</b>	<b>\$ 8,475,018</b>	<b>\$ 8,440,648</b>
 <b>Net Operating Income</b>	 <b>\$ 238,896</b>	 <b>\$ 177,591</b>

\* As directed by Commissioner of Insurance



<u>Key Statistics</u>	<u>2010</u>	<u>Change from 2009</u>	<u>Significant Notes</u>
<b><u>Referrals</u></b>			
Received	3,918	-1%	Auto insurance referrals up 14%
Pending Review at Year-end	173	-50%	New case management system streamlined referral review process
Accepted for Investigation	1,620	+12%	One-time increase due to streamlined referral review process
<b><u>Case Investigations</u></b>			
New Cases Created	1,143	+30%	Higher quality referrals from carriers
Cases Investigated	1,193	+2%	W/C cases investigations up 35%
Active Investigations at Year-end	363	-8%	Prior year was highest year-end count since IFB inception
Pending Assignment at Year-end	1,490	+30%	Related to higher level of new cases created
Referred to Prosecutors	191	+14%	Highest annual total since IFB inception
Closed with No Prosecution	579	+4%	
Active Cases in Prosecution Phase at Year-end	336	-4%	
<b><u>Prosecution Activity</u></b>			
Indictments and Complaints	232	-8%	
Convictions	36	-37%	Lowest annual total since 2003; Both AG and DA convictions are down
Continued Without a Finding	94	-10%	
<b><u>CIFI Task Force Case Activity</u></b>			
Referred to Prosecutors	153	+19%	Highest annual total since start of CIFI program
Indictments and Complaints	211	-7%	

## OFFICERS

Daniel J. Johnston, Executive Director

Anthony M. DiPaolo, Vice President, Investigations

Laura A. Kessler, Vice President, General Counsel

Thomas J. Simon, Vice President, Administration

## BOARD OF GOVERNORS

### Representing the AIB Governing Committee

Arbella Mutual Group  
MAPFRE USA Group  
Hanover Insurance Group \*\*  
Metropolitan Group  
Safety Group

### Representing the WCRIB Governing Committee

AFL/CIO  
A.I.M. Mutual Insurance Company  
Choice Insurance Group  
Liberty Mutual Insurance Company  
The Travelers Insurance Company

### Public Members

Commissioner of Department of Industrial Accidents  
Commissioner of Insurance  
Registrar of Motor Vehicles  
Secretary of Labor  
Secretary of Public Safety

\*\* Denotes chairman

# Committees

<b><u>COMMITTEE</u></b>	<b><u>MISSION</u></b>	<b><u>MEMBERS</u></b>
<b>Budget</b>	Review and approve prospective budget plans and staff additions	MAPFRE USA Group** A.I.M. Mutual Insurance Company Commissioner of Insurance Liberty Mutual Insurance Group Safety Group
<b>Communications Subcommittee</b>	Examine and discuss communications between IFB and insurers	Safety Group** A.I.M. Mutual Insurance Company Arbella Insurance Group Hanover Insurance Group Liberty Mutual Insurance Company MAPFRE USA Group Metropolitan Group The Travelers Insurance Company
<b>Long Range Planning</b>	Guide long-term direction of IFB activities; designate line of business priorities, geographical orientation and IFB legislative initiatives	Metropolitan Group** AFL/CIO Arbella Insurance Group Commissioner of Department of Industrial Accidents The Travelers Insurance Company
<b>Personnel</b>	Approve personnel related plans and programs, including salary structures, job grades and ranges and benefit packages	Hanover Insurance Group** Choice Insurance Group Liberty Mutual Insurance Company Registrar of Motor Vehicles Secretary of Labor
<b>Tip Reward</b>	Review and approve reward payments to informants for tips which lead to the prosecution of insurance fraud perpetrators, as part of the approved IFB Tip Reward Program	Liberty Mutual Insurance Company ** Arbella Insurance Group MAPFRE USA Group Safety Group Secretary of Labor

\*\* Denotes chairman

Ex-Officio Members of all Committees:  
Board of Governors Chairman (Hanover Insurance Group)  
IFB Executive Director  
WCRIB President