



*(Continued from page 1)*

Thus, workers' compensation insurance premium fraud often involves similar kinds of harm – and often the same methods – as tax evasion.

### **What kinds of schemes have been prosecuted?**

The most common fraud schemes involve, in one way or another, understating payroll. Some businesses pay only a portion of their payroll “on the books” and use under-the-table cash payments to avoid reporting their true payroll to either the tax authorities or to their workers' compensation insurers. In such cases, the evidence for a premium fraud charge tends to be nearly the same as the evidence we would use to prove tax fraud. Thus, as a practical matter, a case worthy of prosecution as a tax case may also present an equally worthy insurance premium fraud case. Other methods of hiding payroll may be a little subtler, such as claiming that a company's workers are really all “independent contractors,” or that a company's workers are really employed by subcontractors. Employers may also attempt to evade experience modification adjustments by fraudulently creating “alter-ego” companies or they may misreport their employees' job duties. These kinds of schemes are often harder to detect and harder to prove. At a minimum they require additional evidence, beyond the pure dollar figures that can be used to make out a tax fraud case.

### **What does this mean for prosecutions?**

When a fraud involves more “qualitative” information evidence of fraudulent intent will have to be stronger to support a prosecution. For example, if an employer has represented that particular employees are sales personnel rather than on-site construction workers, it will be necessary to show both that the employer knew the employees' real duties and that the employer was responsible for the false representation to the insurer. By the same token, an investigator may suspect that a “new” company opened by an employer's son or a brother-in-law is really just the same business with a new name, set up to avoid the original business's track record for accidents. But unless there is a pattern of repeated use of “alter-ego” corporations, a prosecutor will want to see demonstrably false or forged documents before resting a premium avoidance prosecution on

such circumstances. Similarly, a company's “low-ball” estimate of its anticipated payroll at the beginning of a policy term is unlikely to warrant prosecution, unless it is accompanied by a history of providing insurance company auditors with false payroll summaries or forged tax returns.

### **Are particular businesses or individuals particularly likely to be “targeted” for prosecution?**

Premium fraud may arise in virtually any industry. However, employers in relatively dangerous fields, such as various sectors of the construction industry, may be particularly tempted to evade premiums simply because insurance costs for high-risk occupations are very substantial. By the same token, the seasonal and cyclical nature of the construction business may create opportunities for employers to conceal or misrepresent a portion of their workforce.

More generally, those who “specialize” in premium fraud will receive particular focus. Much as tax prosecutions may focus on professionals who set up bogus tax shelters, a premium fraud investigation may focus on consultants who repeatedly assist clients in falsifying their payroll records, or insurance agents who help clients set up “alter-ego” corporations to avoid their accident history. Likewise, an employee-leasing or temporary employment agency may engage in tax evasion and insurance premium avoidance as a key element of its profit-making strategy. In such businesses under-the-table payroll arrangements and misrepresentations about the kinds of work being performed may be integral to the operation of the business, not just an incidental lapse of business ethics.

### **How extensive are the schemes that get prosecuted?**

Evidence of repeated conduct is often essential in establishing fraudulent intent beyond a reasonable doubt. Thus it is no surprise that, as with tax cases, the overwhelming majority of premium fraud prosecutions involve multi-year schemes. A prosecutor is more likely to be persuaded that a false statement was the result of fraud – as opposed to negligence or recklessness – when there is a pattern of lies over a sub-

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stantial period of time. The likelihood of developing evidence from multiple sources and of identifying multiple witnesses is also higher in such long-term schemes. Also, a multi-year scheme is more likely to involve substantial amounts of money.

### **How does the criminal prosecution process fit with insurers' audit and collection functions?**

It doesn't, at least not in any direct sense. Ethically, the criminal prosecution process must be separate from other insurance activities. Criminal prosecution is not a substitute for an insurer's collection efforts. Apart from under-cover investigations, a prosecutor will generally be looking at conduct that has already occurred and will keep an arms-length distance from any ongoing business dealings. Indeed, an insurer or its representatives should never threaten to refer a matter for criminal investigation or prosecution as part of any negotiation or collection effort. Nor will a criminal prosecutor "back off" a meritorious investigation just because the target ultimately pays its obligations to the insurer.

Very simply, criminal prosecution should not influence the balance of any such business dealings between insurers and clients, except to the extent that it aims to punish fraud and dishonesty. In Massachusetts, prosecutors have pursued cases in which the insurer and insured had previously reached settlements of their monetary obligations. Conversely, cases have been declined in which insurers faced significant monetary losses, when the prosecutor concluded that those losses were not primarily attributable to criminal conduct or the evidence of criminal intent was lacking.

### **Does this mean the insurer's conduct is unimportant? What if the insurer has been sloppy or careless?**

In theory, victim negligence is no defense to a fraud charge. In reality, insurer diligence is a critical consideration in any premium fraud investigation. In some respects this is no different from any other "white collar" crime affecting an institutional victim. In general there is no reason to assume that prosecutors – or judges and ju-

ries – will be sympathetic to large corporations that have lost money. Unlike individuals who are bilked out of their savings, most corporations can protect themselves, and they can generally afford to hire lawyers to represent their interests.

But the lack of sympathy for the victim is compounded in the insurance "premium fraud" area because there is a fair amount of resentment – deserved or not – over the high cost of insurance. A convicted defendant in a premium fraud case once told me he thought some of his employees had taken their jobs just so they could "comp" him (that is, they would fake on-the-job injuries and claim compensation). This individual saw the whole insurance process as an unfair system for making him pay money to unworthy claimants. From this perspective, he rationalized engaging in a variety of blatantly fraudulent schemes to evade premiums and he shopped aggressively to find an insurance agent who would help him.

To counter negative perceptions about the insurance industry, it is essential to be able to show

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(Continued from page 3)

that an employer who evaded insurance premiums was fairly notified of his/her obligations and that the insurance company diligently followed up and enforced the terms of the insurance policies. The audit process itself is critical. If an auditor fails to keep copies of allegedly forged tax returns that may have been supplied by the employer to “back-up” forged payroll figures, it will be difficult to persuade a jury that such documents really mattered to the insurer. Similarly, a quick telephone call may qualify as an “audit” for purposes of calculating final premium at the end of a policy term – but in a criminal case it will raise doubts as to whether the employer was fairly on notice as to the seriousness of the required disclosures. After all, in a criminal case the employer is not merely accused of supplying incorrect information, the employer is charged with knowingly lying and doing so with the intent to defraud the insurer.

#### **In short . . .**

In the end, there is no single test to identify worthy premium fraud cases. A prosecutor will weigh heavily the egregiousness of the criminal conduct, the size and duration of the fraudulent scheme, and the strength of the evidence of criminal intent. Such cases can sometimes be challenging to present to a jury, but a prosecutor should not shy away from prosecuting serious criminal conduct merely because the immediate victim is an institution. The costs of insurance fraud affect the entire economy and give unscrupulous employers an unfair advantage over those who follow the law. This is not a victimless crime and it is one that can be deterred through aggressive and effective enforcement.

*Paul Levenson is an Assistant U.S. Attorney for the District of Massachusetts who practiced in the Economic Crimes Unit for 13 years. In 2003 Paul Levenson was named Fraud Fighter of the Year by the Greater Boston Chapter of the Association of Certified Fraud Examiners. Mr. Levenson presented at the November 17, 2005 IFB Seminar on Premium Evasion. The views expressed in this article are the author's own, and not those of the U.S. Attorney's office or Department of Justice.*



## **Premium Evasion Fraud**

### **“Couple Plead Guilty to \$2.9 Million Under-the-Table Payroll Fraud” Case Update**

**NORTH READING-** Husband and wife **Carlos Gomez** and **Mary Gildea** were sentenced for their roles in paying employees “under-the-table” in order to evade millions of dollars in payroll taxes, workers’ compensation insurance premiums and union health and welfare benefits. Gomez and Gildea pleaded guilty to all charges against them on March 29, 2005. Gomez was sentenced to 12 months imprisonment followed by three years supervised release to include 12 months of home confinement with electronic monitoring. Gomez was ordered to pay a \$50,000 fine and \$1,700 special assessment. Gildea was sentenced to 12 months imprisonment followed by two years supervised release to include 12 months of home confinement with electronic monitoring. She was ordered to pay a \$50,000 fine and \$2,300 special assessment. Together they must pay \$4.7 million in restitution.

The couple admitted to conspiring to defraud and to commit mail fraud and making false statements in records required by the Employee Retirement Income Security Act of 1974 (ERISA). Gomez and Gildea, who operated a construction service company known as Lanco Scaffolding Inc., paid many Lanco employees cash “under-the-table”, concealing this cash payroll from the IRS. From October 1997 through September 2003, the couple paid Lanco workers at least \$2.9 million in unreported cash. Gomez and Gildea also provided their workers’ compensation insurers, Liberty Mutual and Eastern Casualty Insurance Companies, with forged payroll records and forged “copies” of their tax returns, thus reporting even lower payroll figures to the insurers than the already fraudulent numbers reported to the IRS and evading more than \$1.9 million in workers’ compensation premiums.

The case was investigated by Special Agents of the U.S. Internal Revenue Service, Criminal Investigation, the Federal Bureau of Investigation, the U.S. Department of Labor’s Office of Labor Racketeering and Fraud Investigations, the U.S. Department of Labor’s Employees Benefits Security Administration and the IFB. It was prosecuted by Assistant U.S. Attorney Paul G. Levenson in United States Attorney Michael Sullivan’s Economic Crimes Unit.

### Three Quincy Residents Indicted in \$30 Million Under-the-Table Scheme

**QUINCY-** Three Quincy residents allegedly paid hundreds of temporary employees, who performed manual labor at factories and warehouses in Massachusetts, a total of approximately \$30 million in unreported cash payroll over a ten year period. In so doing, it is alleged that the subjects failed to pay payroll tax and to withhold taxes from their employees' pay. In addition, the subjects allegedly fraudulently reduced their workers' compensation insurance premiums by concealing their cash payroll from Travelers and Liberty Mutual Insurance Companies. The subjects allegedly concealed their activities through the use of shell corporations. The subjects would claim to have shut down the company under whose name they operated, and would re-incorporate under another name so as to avoid scrutiny by either the IRS or insurance auditors.

***Tina Le, Steven Nguyen and Mercedes Tang** were each charged with one count of conspiring to defraud the IRS, one count of conspiring to commit money laundering and six counts of mail fraud in U.S. District Court on October 12, 2005. Additionally, Le was charged with 13 counts of procuring false tax returns and Nguyen was charged with four counts of procuring false tax returns. The case was investigated by the Federal Bureau of Investigation, U.S. Internal Revenue Service, Criminal Investigation, U.S. Postal Inspection Service and the IFB. It is being prosecuted by Assistant U.S. Attorneys Jonathan F. Mitchell in U.S. Attorney Michael Sullivan's Economic Crimes Unit and Kristina Barclay in Sullivan's Asset Forfeiture Unit.*

### Defunct NH Drywall Contractor Indicted

**MERRIMACK, NH-** The corporate officer of a defunct New Hampshire drywall company completed the Workers' Compensation Rating and Inspection Bureau (WCRIB) application for insurance and allegedly indicated that the company had no prior Massachusetts workers' compensation insurance coverage and no employees. Investigation revealed that the company had been issued three prior policies and based on the prior policy information the corporation's workers' compensation premiums would have been adjusted from \$514 to \$88,529.

***Michael Jenkins and TMJ Construction Co., Inc.** were each indicted on larceny and workers' com-*

*ensation premium evasion charges in Suffolk Superior Court on October 12, 2005. The case is being prosecuted by Assistant Attorney General Karla Zarbo, with assistance from Inspector Jeffrey Ambrose, both of Attorney General Tom Reilly's Fair Labor and Business Practices Division.*

### Former Gardner Company Owner Indicted on Perjury Charges

**GARDNER-** An employee of Wood Technology of Gardner lost vision in one eye when he was injured in 1998 while operating a nail gun without safety glasses, which he was allegedly neither given nor instructed to wear while working with the tool. The employee filed for workers' compensation which was rejected by Reliance National Insurance Company, Wood Technology's insurer. The employee appealed the decision to the Department of Industrial Accidents (DIA). During the DIA hearing, the company owner testified under oath to three separate facts: that he provided safety glasses to the employee before the accident; that safety signs promoting protective safety glasses were posted on the premises prior to the injury; and whether or not he altered the date on an invoice from a company that sells protective eye wear and safety notices. Employees at Wood Technology refuted the owner's testimony.

***Alan Koren**, former owner of the now-defunct Wood Technology of Gardner, was indicted in Worcester Superior Court on three counts of perjury on September 13, 2005 for allegedly giving false testimony in a hearing before the DIA. Assistant Attorney General Kajal K. Chattopadhyay of AG Tom Reilly's Insurance and Unemployment Fraud Division is prosecuting the case.*

The following case story appeared in the August 2005 issue of *e-focusFraud*.

### Hyannis Construction Company Allegedly Avoided \$100,000 in W/C Insurance Payments

**HYANNIS-** S.V. Raleigh Corporation, its president and owner **Stephen V. Raleigh**, and its bookkeeper **Denise E. Holbrook** were indicted on a total of 17 insurance fraud-related charges in Barnstable Superior Court on June 28, 2005. S.V. Raleigh Corporation is a Hyannis construction company. Raleigh and Holbrook allegedly falsified statements and withheld information from insur-

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ance agents and the Division of Unemployment Assistance (DUA) in an effort to avoid payment of workers' compensation insurance premiums and unemployment contributions. From 2000 through 2002, S.V. Raleigh Corporation allegedly misrepresented the nature of its business and underreported its payroll to insurance auditors. These alleged misrepresentations defrauded Associated Industries of Massachusetts (AIM) and the WCRIB of more than \$100,000 in workers' compensation insurance premiums. Raleigh and Holbrook both allegedly made numerous misstatements to insurance auditors and an insurance agent over several policy periods. They allegedly failed to disclose the true nature of the company's business and withheld accurate payroll information from the auditors. In addition, Holbrook allegedly underreported the company's payroll to the DUA, thereby defrauding DUA of unemployment contributions it was legitimately owed by the company. The company also allegedly failed to provide workers' compensation insurance coverage for its employees from July 1998 until May 2000. Assistant Attorney General Kajal K. Chattopadhyay of the AG's Insurance and Unemployment Fraud Division is prosecuting the case.



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## **Workers' Compensation Fraud**

### **False Identity Used to Commit Insurance Fraud**

**LOWELL-** A Lowell man assumed the identity of another to obtain employment as a laborer. Three weeks later he claimed a back injury as a result of an industrial accident and filed a claim for workers' compensation with AIM under the assumed identity and began to collect temporary total benefits of \$506 per week. Subsequent investigation by AIM revealed that the subject had no injury related to the alleged accident and that the subject was also known by another name. A DIA Administrative Judge found that the subject intentionally concealed his real identity in an attempt to defraud the insurer and his deception included concealing his past medical history and claims history as well as SSDI benefits under his own identity.

*A Lowell man was indicted on one count of workers' compensation fraud, three counts of larceny and three counts of unemployment fraud on September 27, 2005 in Middlesex Superior Court. The case is being prosecuted by Assistant Attorney General Glenn Cunha, Chief of the AG's Insurance and Unemployment Fraud Division.*

### **"Big Dig Worker Caught Committing Insurance Fraud" Case Update**

**TEWKSBURY-** A Tewksbury man was employed as a plumber in February 2003 when he reportedly injured his lower back while working on the Central Artery Project and filed a disability workers' compensation claim with AIG. The claim was initially denied but after a subsequent review by the DIA, AIG paid the subject a retroactive payment of \$13,995 and continued to pay him workers' compensation benefits of \$882 per week. Investigation revealed that the subject had, in fact, been employed as a plumber on numerous contracting jobs while receiving workers' compensation benefits and received a total of \$95,405 in benefits while working on the side from February 2003 through September 2005.

*Allen Sembler pleaded guilty to charges of workers' compensation fraud and larceny in Suffolk Superior Court on September 15, 2005. He was sentenced to 2 ½ years in the House of Correction,*

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suspended for three years. Sembler was also ordered to pay \$95,405 in restitution and to perform 100 hours of community service. Assistant Attorney General Tracey A. Brown of AG Reilly's Insurance and Unemployment Fraud Division prosecuted the case.

### **“Construction Worker Improperly Collects Disability Benefits” Case Update**

**NORWELL**— A Norwell man was employed as a construction worker when he reported being injured on both July 27, 2000 and again on October 28, 2000 and began receiving disability workers' compensation benefits from AIG. An investigation revealed that the subject worked for a construction company from August 12, 2000 through September 9, 2003 collecting \$137,795 in benefits while he continued to work. A perjury charge against the subject resulted from two occasions in which he stated under oath before the DIA that he was in severe pain, unable to work, and that he had not worked since October 30, 2000.

*John Stanton pleaded guilty to workers' compensation fraud, larceny and perjury in Suffolk Superior Court on September 7, 2005. He was sentenced to 2 ½ years in the House of Correction, suspended for 10 years. He was also sentenced to probation for 20 years and ordered to pay full restitution of \$137,795. The case was prosecuted by Assistant Attorney General Glenn Cunha, Chief of the AG's Insurance and Unemployment Fraud Division.*

The following case stories appeared in the August 2005 issue of *e-focusFraud*.

### **“Fishy Story Teller Collects \$47,000” Case Update**

**DORCHESTER**— On August 22, 2005 **Thompson Huynh** pleaded guilty to workers' compensation insurance fraud and larceny in Suffolk Superior Court. He was sentenced to 2 ½ years in the House of Correction, suspended for 10 years, and ordered to pay \$36,446 restitution and to perform 150 hours of community service. Huynh claimed temporary total disability in April 2000 as a result of a repetitive hand motion injury during the course of his employment as a fish cutter. He received more than \$47,000 in workers' compensation benefits from TIG Insurance Company over a twenty-month period. Investigation revealed that Huynh opened

his own business in May 2000 and was found to be working there, full-time, while claiming to be totally disabled. The case was prosecuted by Assistant Attorney General Kajal K. Chattopadhyay of the AG's Insurance and Unemployment Fraud Division.

### **“Big Dig Worker Caught Committing Insurance Fraud” Case Update**

**HOLBROOK**— **Scott Taylor** pleaded guilty to charges of workers' compensation fraud and larceny on July 5, 2005 in Suffolk Superior Court. He was placed on probation for two years and ordered to pay \$20,000 in restitution and perform 100 hours of community service. Taylor was employed as a carpenter in August 2000 when he injured his left thumb while working on the Central Artery Project. After his injury, Taylor filed a workers' compensation claim with National Union Fire Insurance Company, a subsidiary of AIG, and was paid \$623.87 per week in total disability benefits from November 2001 to February 2004. Investigation revealed that while Taylor was collecting workers' compensation benefits, he was also employed as a contractor performing multiple renovation projects on people's homes. Assistant Attorney General Tracey Brown of the AG's Insurance and Unemployment Fraud Division prosecuted the case.

### **“Roofer Collects \$23,000 in Benefits” Case Update**

**BILLERICA**— **Luis Algarin** of Ipswich, NH pleaded guilty to workers' compensation fraud in Woburn District Court on May 25, 2005. He paid \$10,000 restitution at the time of the plea and is ordered to pay an additional \$23,352 until fully paid. Algarin was also placed on three years probation and ordered to perform 100 hours of community service. Algarin was employed as a technical specialist with a Billerica pharmaceutical company for approximately two years before reporting a job-related carpal tunnel injury. He filed a claim for temporary total disability benefits with Kemper Insurance Companies. Kemper officials and IFB investigators determined that while still collecting disability benefits, Algarin and another individual formed a roofing company and Algarin did roofing work for several residential customers. After the roofing company dissolved, Algarin continued his roofing work under a different company name. Algarin was observed performing manual labor and supervising other workers during the times he claimed to be totally disabled. Assistant Attorney General Ian McKenny of the AG's Insurance and Unemployment Fraud Division prosecuted the case.

## Gloucester Man Allegedly Working While Collecting

**GLOUCESTER-** Timothy Hayes was indicted in Essex Superior Court on May 25, 2005 on workers' compensation fraud, larceny and perjury. Hayes claimed a left shoulder injury in July 2001 as a result of a work-related injury while employed as a residential framer and began receiving temporary total workers' compensation benefits from Zurich America Insurance Company. Surgery was performed on his left shoulder in November 2001. In January 2002, Hayes reported at an IME that his level of daily activities was allegedly limited due to shoulder pain. In May 2002 his benefits were reduced to temporary partial with an earning capacity of \$90 a week. At a subsequent DIA hearing, Hayes testified that he had not worked nor earned any wages since his injury. However, surveillance conducted on Hayes showed him to be working during a portion of the time he claimed to be unable to work. Assistant Attorney General Alexandra Alland of the AG's Insurance and Unemployment Fraud Division is prosecuting the case.

## "Gloucester Couple Profits from Taxi Business" Case Update

**GLOUCESTER-** On June 20, 2005, Christopher A. Spanks and Mary A. Mello were sentenced in Essex Superior Court to each serve one year under house arrest on monitoring bracelets. They were also placed on probation for four years and ordered to pay restitution of \$55,000. The couple had previously pleaded guilty to workers' compensation fraud, larceny and conspiracy. Spanks reported a back injury in October 1994 while working as a roofer. As a result of the injury, Spanks filed a workers' compensation claim with Liberty Mutual Insurance Company. Investigation found that from January 1996 to February 2000, Spanks and his wife, Mary Mello, submitted more than 500 taxi receipts to Liberty Mutual for payment of travel expenses to and from Spanks' alleged medical appointments. Investigation uncovered that of the 500 taxi receipts submitted, more than 200 were for dates when Spanks had no medical appointment scheduled. In addition, the cab company listed on the receipts had gone out of business in 1998 and the cab driver named on each receipt did not drive Spanks to any of these alleged medical appointments. As a result, Liberty Mutual paid out more than \$55,000 in benefits to Spanks. The case was prosecuted by David B. Andrews of the AG's Insurance and Unemployment Fraud Division.



## Commercial Fraud

### "Running From Police Can Be Risky" Case Update

**HAVERTHILL-** In September 2002, a Haverhill man filed a claim to report that upon leaving a Haverhill bar, he stepped into a hole in the bar parking lot, twisting and seriously injuring his left knee. However, Travelers Insurance Company discovered that the subject was arrested in Haverhill the night of the injury and had injured his knee fleeing from police and not from falling in a hole in the parking lot as he reported.

*Shane Mambro pleaded guilty to insurance fraud and attempted larceny on October 20, 2005 in Essex Superior Court. He was sentenced to 2 ½ years in the House of Correction, suspended, and placed on five years probation. The case was prosecuted by David B. Andrews of the AG's Insurance and Unemployment Fraud Division.*

The following case story appeared in the August 2005 issue of *e-focusFraud*.

### Alleged Falsified Receipt Used to Collect \$35,000

**CAPE ANN-** The owner of Cape Ann Equipment reported to his insurer, Great American Insurance Company, that his 1976 CAT excavator sustained damages as a result of a fire. At the time of the report, the owner claimed that the excavator had a new undercarriage and he faxed a copy of a receipt for the undercarriage work showing repair costs of \$25,698. The owner also signed a proof of loss. Based on the proof of loss and receipt, the insurer paid the owner \$35,000 for his loss. It was discovered, after the claim was paid, that work had not been performed on the excavator and that the receipt was an estimate only. The owner was charged with one count each insurance fraud and larceny on May 27, 2005 in Peabody District Court. Assistant Attorney General Tracey Brown of the AG's Insurance and Unemployment Fraud Division is prosecuting the case.



## Automobile Fraud

### Rockland Man Has Nothing to Smile About

**ROCKLAND**— A Rockland man reported to Premier Insurance Company that he allegedly broke his 14-unit upper dental bridgework in an October 21, 2004 auto accident and sought payment for damages allegedly sustained in the accident. Investigation revealed that the subject sought dental treatment prior to the accident and was informed that his dental bridge was deteriorating and would need to be replaced. A medical records exam by an independent dentist found that the subject's dental issues and needed restoration work were not related to the October 2004 auto accident.

*Complaints were issued against a Rockland man on motor vehicle insurance fraud and attempt to commit a crime on October 28, 2005 in Quincy District Court. The case is being prosecuted by Norfolk County District Attorney William R. Keating's office.*

### Man on the Run

**WEST YARMOUTH**— A West Yarmouth man assumed the identity of his deceased brother "Theodore" in order to obtain automobile insurance with National Grange Insurance Company since his license had been revoked due to an extensive negative driving record. "Theodore" filed a claim for a hit and run accident which reportedly occurred on December 30, 2000. Investigation by Barnstable police and the IFB revealed that "Theodore" died in 1986. Photo images of Massachusetts drivers' licenses show the subject under both names.

*William Spalke pleaded guilty to two counts of motor vehicle insurance fraud on October 11, 2005 in Barnstable District Court. He was sentenced to one year in the House of Correction, suspended for two years, and ordered to pay \$806 in restitution. Upon leaving court after the plea, Spalke was observed getting into a new Cadillac and driving away. Once it was determined that Spalke's license was still revoked he was pulled over by police. After Spalke stopped his car, but before police could approach him, Spalke sped off. Spalke was arrested on new charges—failure to stop for a police officer, operating with a revoked license, and operating to endanger—stemming from the pursuit.*

### "Auto Theft Cover Up" Case Update

**BROCKTON**— In June 2004, a Brockton man reported to police and Plymouth Rock Assurance Company that his 1999 Ford Explorer had been stolen during the night. Police recovered the truck later that day with extensive exterior damage and it was deemed a total loss, valued at more than \$9,000. Investigation revealed that the subject paid an individual \$500 to take the vehicle, damage it and make it appear as if it were stolen for the purpose of collecting insurance proceeds.

*Michael Moreira pleaded guilty to motor vehicle insurance fraud, attempted larceny, providing a false statement alleging the theft of a motor vehicle and falsely reporting a crime on October 4, 2005 in Plymouth Superior Court. He was placed on probation for 15 months and ordered to pay \$3,560 in restitution and a \$1,000 fine and to perform 100 hours of community service. Assistant Attorneys General Kajal K. Chattopadhyay and Melissa Gavegnano of the AG's Insurance and Unemployment Fraud Division prosecuted the case.*

### "Double Trouble" Case Update

**CAMBRIDGE**— The Registry of Motor Vehicles (RMV) received information alleging Jean Joseph had registered and insured a vehicle under the alias Jocelin Merancien and that Merancien intentionally inflicted property damage to his 1986 Mercedes and then filed a property damage claim with MetLife Auto & Home. Merancien was issued a Massachusetts driver's license by using a social security number of a Florida resident. RMV digital imaging shows that Jean W. Joseph and Jocelin Merancien are one and the same person. After a review of the claim on the Mercedes, a reconstruction analysis concluded that multiple points of impact were involved and that the damage was consistent with being caused by a tool of force.

*Jocelin Merancien pled to sufficient facts on charges of insurance fraud, attempt to commit a crime and identity fraud in Cambridge District Court on September 6, 2005. Merancien was sentenced to 364 days in the House of Correction, suspended for one year, with probation, and was ordered to pay within the year \$4,300 restitution. Assistant District Attorney Mark Canner from Middlesex County District Attorney Martha Coakley's office prosecuted the case.*

## Taunton Man Alleges Auto Theft as Cover-Up for Accident

**TAUNTON-** An East Taunton man reported his vehicle stolen to Taunton police in November 2003. It was later discovered that the theft report was false and was an attempt to cover up a single vehicle accident in which the subject was the driver. The subject was charged in December 2003 with leaving the scene of an accident with property damage and false report of motor vehicle theft. It was later determined that he reported the alleged theft to his insurer, Premier Insurance Company of Massachusetts, and was paid \$1,780 for his loss.

*An East Taunton man pleaded guilty to motor vehicle insurance fraud and larceny on September 1, 2005 in Taunton District Court. He was sentenced to two years in the House of Correction, suspended, for the larceny charge and six months, suspended, for the motor vehicle insurance fraud charge. He was also placed on probation for two years and ordered to pay restitution. Assistant District Attorney Robert J. Brown, Jr. of Bristol County District Attorney Paul F. Walsh, Jr.'s office prosecuted the case.*

The following case stories appeared in the August 2005 issue of *e-focusFraud*.

## “Ludlow Man Indicted for Alleged Insurance Fraud” Case Update

**LUDLOW-** Joseph Hart pleaded guilty on June 3, 2005 in Hampden Superior Court to filing a fraudulent insurance claim and larceny. He was sentenced to two years in the House of Correction with six months to serve and 18 months suspended. Hart was also ordered to pay \$9,283 in restitution. Hart was involved in a motor vehicle accident when his vehicle was struck in the rear and sustained minor damage. He submitted a claim to Commerce Insurance Company for lost wages and received more than \$7,600 in lost wage payments. Hart supplied Commerce with disability notes from his treating doctors, corresponded regularly with the insurance adjusters regarding his disability claim and reported he was going to food banks and shelters to feed his family during his time of disability. Investigation revealed that Hart continued to work while collecting lost wage payments. Assistant District Attorney Timothy Rogers of Hampden County District Attorney William Bennett's office prosecuted the case.

## Middleton Chiropractor Indicted on Insurance Fraud Charges

**MIDDLETON-** Dr. Kevin Zegel allegedly billed insurance companies for treatments never provided and allegedly created bogus bills for treatments on days he had no patients. Two IFB undercover investigators sought treatment from Zegel for injuries they claimed to have received in a car accident. Zegel billed insurance companies for the investigators' treatment that he allegedly had not provided or for injuries he allegedly exaggerated or fabricated. It is alleged that Zegel also billed eight different insurance companies for treatments he supposedly provided on Thursdays and Saturdays; days that he did not see patients. Zegel was indicted on May 18, 2005 by an Essex grand jury on five counts of motor vehicle insurance fraud, three counts of filing a fraudulent insurance claim, seven counts of larceny and one count of attempted larceny. Assistant Attorney General Melissa Gavegnano of Attorney General Tom Reilly's Insurance and Unemployment Fraud Division is prosecuting the case, which was investigated by State Police and the IFB. The case was initiated by an anonymous phone tip to the IFB's hotline.

## “Framingham Man Gains \$100,000 in Insurance Scams” Case Update

**FRAMINGHAM-** A Framingham man was sentenced on April 27, 2005 in U.S. District Court to serve a 63 month sentence for mail fraud and wire fraud. The subject pleaded guilty to these charges in January 2004. The subject filed false automobile accident reports that netted him and his accomplices more than \$100,000 in fraudulent insurance payments. The subject used false drivers' licenses, multiple identities, staged motor vehicle accidents and false injury claims. FBI agents caught the subject filing 24 claims for accidents that they say never occurred. The subject filed at least five claims for damage to a gold Cadillac which agents said was not damaged. He was prosecuted by Assistant U.S. Attorney John Farley in United States Attorney Michael J. Sullivan's office.

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## Agent Fraud

### Former Agent Allegedly Pocketed Premium Money From Clients

**QUINCY**– A former Quincy insurance broker and agent allegedly pocketed money paid to him by 16 different business clients to insure their businesses for workers' compensation and liability insurance coverage.

*Complaints were issued against the former Quincy insurance agent on October 14, 2005 in Quincy District Court on 16 counts of larceny and 15 counts of agent fraud. Assistant Attorney General John Compton of the AG's Insurance and Unemployment Fraud Division is prosecuting the case.*

### "Quincy Insurance Agent Allegedly Stole \$22,500 from Elderly Client" Case Update

**QUINCY**- A former insurance agent with Banker's Life and Casualty Insurance Company stole \$22,500 in annuity funds from an elderly client for his personal use. The former agent sold the victim two annuity insurance products worth \$170,000 through Banker's Life before he learned that he could sell products through an agent at Allianz Life and receive higher commissions. The victim in this case, an 83-year-old Weymouth woman, agreed to transfer her funds from Banker's Life to Allianz. Investigation revealed that the former agent made two separate withdrawals from the woman's account by forging requests for disbursements. The former agent asked that the checks be sent to the Allianz agent and forged the victim's name on the checks and deposited them into his own personal account. The victim never made withdrawal requests nor did she ever receive the checks, which totaled \$22,500. In January 2004, the former agent requested the victim's address be changed so that the checks would be delivered to his own address. This request alerted officials at Allianz who contacted the victim and the IFB.

*The case against **Anthony Cedrone** was continued without a finding for two years on September 15, 2005 in Quincy District Court. Cedrone had been charged with larceny from a person over 65, forgery and uttering. He was ordered to pay \$22,500 in restitution and to perform 100 hours of community service. Assistant Attorney General Glenn Cunha, Chief of the AG's Insurance and Unemployment Fraud Division, prosecuted the case, which was investigated by State Police and the IFB.*

The following case story appeared in the August 2005 issue of *e-focusFraud*.

### "Alleged Theft of Pension Funds by Worcester Agent" Case Update

**WORCESTER**- On June 22, 2005 **Stephen Costello** was sentenced to 7 ½ years in the House of Correction, suspended, and twelve years probation. Costello was ordered to pay \$171,539 in restitution. He previously pleaded guilty to five counts each of larceny, forgery and uttering. Costello, an independent insurance agent, stole \$144,912 from clients' pension funds. Beginning in February of 1996 and continuing through December 2000, Costello stole five checks from two different clients' annuity pension funds and deposited them into his personal accounts. The checks ranged in value between \$20,409 and \$34,697. The case was prosecuted by Assistant District Attorney James R. Lemire of Worcester County District Attorney John Conte's office.

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## Dental Insurance Fraud

### Lobster May Be Dangerous to Your Teeth

**BOSTON**– A Boston man filed two claims in 2003, one week apart, with two different insurers allegedly claiming the same pre-existing injuries for damage to his teeth. In 2002, the subject had filed a claim with The Hartford alleging he had injured a tooth when he bit into a pecan shell at a Country Buffet and was paid \$4,000 for his alleged injury. In July 2003 the subject claimed he bit into a piece of lobster shell at Pizzeria Uno and filed a claim with Hanover Insurance Company for damages to his teeth. He was paid \$2,079 for his injury. A week later the subject claimed he broke a tooth as a result of eating lobster ravioli at a Bertucci's. This claim was denied by Liberty Mutual Insurance Company after learning from Hanover that they had paid the subject for a similar claim.

***Alfred J. Toney, Jr.** was arraigned on September 26, 2005 in Brookline District Court on charges of filing a fraudulent insurance claim and attempt to commit a crime. Assistant Attorney General Alexandra Alland of the AG's Insurance and Unemployment Fraud Division is prosecuting the case.*

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## Community Insurance Fraud Initiatives Case Activity

### Lowell Task Force

Sixteen Lowell subjects were indicted in Middlesex Superior Court on October 12, 2005 on a total of 94 counts of insurance-fraud related charges for their involvement in alleged staged automobile accidents. Nine individuals were arraigned for their involvement in three alleged phony motor vehicle accidents and then claiming non-existent injuries sustained in the alleged accidents. Arrest warrants have been filed for seven other individuals allegedly involved in the auto ring. The 16 individuals include **Sam Ma, Sokha Ngoun, Joseph Larmarche, Jeffrey Hamilton, Joseph Hamilton, Kelly Drinosky, Tho Chhim, Mercy Encarnacion aka "Mercy", Damaris Matos aka "Poochy", Eric Bonnette, Soeum Oum, Phat Van Tran, Paula Tith, Ang Em, Syna Sam** and **Sithorn Tith**. Encarnacion and Matos are the alleged leaders of the ring and allegedly arranged three staged accidents which cost insurance companies more than \$60,000. The two allegedly paid Bonnette to recruit people to take part in the staged accidents; he allegedly drove the "bullet car" in each accident. Insurers affected include Arbella Mutual, Premier, MetLife Auto & Home, Encompass and Commerce Insurance Companies.

**Gary Tumbarello** pleaded guilty to charges of motor vehicle insurance fraud and attempted larceny on September 13, 2005. He was sentenced to serve six months in the House of Correction. Tumbarello reported to Liberty Mutual Insurance Company that his 2003 Toyota Corolla was stolen from the rear parking lot of a school and he stated that he witnessed three men drive away in the vehicle. That same day, Lowell police responded to a two-car intersection collision which coincidentally was witnessed by an off-duty Lowell police officer. The officer identified Tumbarello as the operator of the vehicle at the time of the accident.

Assistant District Attorney Jodi Walker of Middlesex County District Attorney Martha Coakley's office is prosecuting cases for the Lowell Task Force.

### Springfield/Holyoke Task Force

On September 1, 2005, **Maria Diaz** and **Ana Pizarro** each pleaded guilty to two counts of motor vehicle insurance fraud and were placed on proba-

tion for two years. Diaz was ordered to pay \$3,478 restitution and Pizarro was ordered to pay \$2,159 restitution. Diaz's 1996 Chevrolet Lumina was lightly struck in the rear on May 2, 2003 by a 1996 Buick driven by a Springfield woman. Diaz reported to Commerce Insurance Company that she had four passengers in her vehicle at the time of the accident; all claimed injuries sustained in the accident. Conflicting statements regarding the accident given by the passengers led the insurer to deny all claims.

Complaints were issued against **Janet Rivera** on August 31, 2005 on motor vehicle insurance fraud and burning or aiding to burn wood, produce or personal property. Rivera stated that she was having mechanical problems with her 1999 Kia Sephia on September 10, 2004 and left the vehicle locked while she went to notify a mechanic to come and repair the auto. When she returned to her vehicle, Rivera allegedly discovered the car missing and called Springfield police thinking the vehicle had been towed. Police informed Rivera that her vehicle had been recovered burned. Rivera completed theft and vehicle fire reports and reported the alleged theft to Commerce Insurance Company. Rivera later allegedly admitted that she hired someone to burn the vehicle.

**Jose Curet** pleaded guilty on September 15, 2005 to motor vehicle insurance fraud. He was placed on probation for one year. The case against **Wanda Natal** was continued without a finding for one year. Curet reported that his 2000 Toyota was struck by a hit-and-run driver in a white Ford Taurus. Curet claimed that the vehicle sustained damage to the right rear panel and the right taillight was broken. Curet and his passenger, Natal, also alleged injuries sustained in the collision. Shortly after the reported accident, an insurance investigator located Curet's vehicle and photographed the damages to the vehicle. The right taillight was unbroken. Premier Insurance Company subsequently assigned the claim to an outside adjuster who also photographed the damages to the vehicle. The second set of photographs show additional damages inflicted to the vehicle including a broken right taillight. Medical claims for alleged injuries sustained by both Curet and Natal were denied by the insurer.

On September 14, 2005, complaints were issued against **Rose Feliciano** on charges of motor vehicle insurance fraud, false report to police and attempt to commit a crime. Feliciano reported the

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alleged theft of her 2003 Oldsmobile Alero to Holyoke police on August 3, 2004. The heavily damaged vehicle was recovered earlier that day by police and was subsequently declared a total loss by Arbella Mutual Insurance Company. A forensic examination of the Oldsmobile determined that only the proper key could be used to operate the vehicle.

Springfield task force cases are prosecuted by Assistant District Attorney Timothy Rogers of Hampden County District Attorney William M. Bennett's office.

### Lynn Task Force

Complaints were issued on November 1, 2005 against **Christine Curley** on motor vehicle insurance fraud, false statements alleging theft or conversion of a motor vehicle, knowing or intentional false report of a crime and attempt to commit a crime. Curley reported to Commerce Insurance Company that after falling asleep at her cousin's home on August 30, 2003, her 1999 Ford Mustang was allegedly stolen. The vehicle was recovered by Saugus police several days after the alleged theft. Curley accounted for all keys. A forensic analysis determined that the proper key was needed to start the vehicle as it was equipped with a transponder system.

The case against **April Loftman** was continued without a finding for 18 months on September 30, 2005. She was ordered to pay a \$1,000 fine. Loftman claimed that while returning home from her job on June 9, 2004, her 1993 Buick Regal broke down. The vehicle was towed to a Lynn auto body shop where it was inspected by the owner who told Loftman that the vehicle's engine had seized. Loftman was unable to make payment on the repairs and chose not to have the repair work done. The Buick was left at the auto body shop for nine days. On the night of June 19, 2004 a female sitting in the driver's side of the Buick was observed by Lynn police. Minutes later the vehicle was engulfed in flames. The next day Loftman filed a fraudulent stolen motor vehicle report with National Grange Insurance Company.

Complaints were issued against **Ana Mercedes-Pena, Marlennys Matos, Carlos Cruz, Milta Cruz, Jaime Peguero** and **Jose Cruz** on August 29, 2005 on charges on motor vehicle insurance fraud and conspiracy. The case involves an alleged staged accident on September 19, 2003 be-

tween a 1991 Toyota Corolla driven by Mercedes-Pena and a 1990 Toyota Corolla driven by Milta Cruz. Passengers in each vehicle reported to Plymouth Rock Assurance Company and Safety Insurance Company alleged injuries sustained in the accident and received chiropractic treatment for these injuries. A damage analysis of the collision indicated that the vehicle damages were not consistent with the accident described.

On August 26, 2005 complaints were issued against **Ana Gil, Daniel Rodriguez, Moises Rivera, Yudy Hernandez** and **Juan Tejada** for their involvement in an alleged staged intersection accident on June 16, 2004. A witness at the scene stated to police that the two vehicles involved in the collision had allegedly circled the intersection several times prior to the collision. Gil was the driver of the 1999 Mercedes and Rodriguez operated a 1991 Chrysler van. Police and the witness noted that there were no passengers in the vehicle operated by Gil. Tejada, a passenger in the Rodriguez vehicle, was taken by ambulance to the hospital. Gil and three alleged passengers, Rivera, Hernandez and one minor child, claimed injuries to MetLife Auto & Home and all received chiropractic treatment for alleged injuries sustained in the accident.

Complaints were issued on September 9, 2005 against **Jessica Barker** and **Jason Barker** for motor vehicle insurance fraud and conspiracy. A 2000 Honda owned and operated by Jessica Barker was in an auto collision on January 20, 2004. Barker and three individuals claimed to be passengers in the vehicle at the time of the accident. The adverse driver's carrier, Premier Insurance Company, determined that there were alleged jump-in passengers after the accident and denied the claim. Safety Insurance Company paid \$16,570 for alleged injuries sustained by Barker and her three alleged passengers. Investigation determined that Jason Barker, Jessica's brother, was an alleged jump-in to the vehicle after the collision occurred.

Assistant District Attorneys Matthew Feeney and Katherine Hartigan of Essex County Jonathan Blodgett's office is prosecuting cases for the Lynn Task Force.

### Brockton Task Force

Complaints were issued in October 2005 against a **Brockton woman** for filing a fraudulent insurance claim and larceny. The woman allegedly injured her wrist, neck and back when the front door of her residence in a multi-unit building fell and struck her.

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The accident occurred the same day the unit was inspected, upon the woman's request, and the front entry door was found to be in violation. She filed a loss claim with GE Insurance Solutions/First Specialty Insurance Corp., the insurer of the property, alleging injuries and one month lost wages and was paid a \$6,000 settlement for the claim. Subsequent investigation revealed that the woman allegedly missed no work related to the reported injuries and information submitted pertaining to the claim allegedly contained inconsistencies.

Complaints were issued against a **Quincy woman** in October 2005 on charges of motor vehicle insurance fraud, attempt to commit a crime, statements alleging motor vehicle theft/fire, burning a motor vehicle to defraud an insurer and burning or aiding to burn personal property. On the morning of August 24, 2003, the woman's 1998 Mitsubishi Eclipse was recovered completely burned. Approximately an hour after the vehicle was recovered, she reported the vehicle stolen. A Brockton Fire Department investigator determined that the fire was intentionally set and the vehicle did not appear to be stripped. In addition, alleged inconsistencies in the paperwork and statements submitted by the woman for the loss led MetLife Auto & Home to deny the claim.

Complaints were issued in October 2005 against a **Brockton woman** on motor vehicle insurance fraud, burning insured property with intent to defraud, attempt to commit a crime and statements alleging motor vehicle theft. In July 2002 the woman purchased and insured a 1997 Mitsubishi Galant with Hanover Insurance Company. Two weeks after purchasing the vehicle, the woman had the vehicle serviced due to difficulty with shifting the vehicle. On September 15, 2002, the Brockton Police Department recovered a burned 1997 Mitsubishi Galant, later identified as the woman's. The woman claimed that she was unaware the vehicle had been stolen until notified by police of the recovery of the vehicle. A Hanover appraiser determined that the vehicle was deliberately burned. The woman also reported that she had both sets of keys to the vehicle in her possession. Due to other alleged inconsistencies in the loss report and statements, Hanover denied the claim.

The cases against **three Brockton individuals** were continued without a finding for 11 months on September 9, 2005 for their involvement in a staged accident. A **fourth individual** is still in default and believed to be out of the country. One

subject was operating a 1991 Honda Civic when her vehicle was rear-ended by a 1998 Chevy Cavalier. The four subjects claimed injuries sustained from the collision and sought treatment for their alleged injuries. The driver of the Cavalier, upon notification of the accident and subsequent claim by the subjects, notified Safety Insurance Company that she was at work at the time of the accident and her vehicle was parked in her employer's parking garage. Recorded statements from two subjects to Premier Insurance Company, the insurer of the Honda Civic, provided multiple inconsistencies regarding the accident. Furthermore, an accident reconstructionist determined that the accident could not have happened as reported.

**Nicole Powell** and **Joanel Paul** were arrested on August 30, 2005 for their involvement in an alleged staged theft. Powell is charged with motor vehicle insurance fraud, burning a motor vehicle with intent to defraud an insurer, attempted larceny, conspiracy to commit insurance fraud and perjury. Paul is charged with motor vehicle insurance fraud and conspiracy to commit insurance fraud. Powell reported the alleged theft of her 1999 Cadillac Catera to Brockton police and Amica Mutual Insurance Company. The vehicle was recovered burned. The Cadillac was equipped with a transponder key and all keys to the vehicle were accounted for. Paul provided a statement to Amica that he was with Powell during the time of the alleged theft.

**Marie Fils**, **Marie Mayard** and **Ricardo Province** were arrested on August 29, 2005 for their roles in an alleged staged accident. They are each charged with motor vehicle insurance fraud and conspiracy to commit insurance fraud. A fourth subject was operating his 1985 Saab 95S when he was involved in a motor vehicle collision. This subject allegedly exited his vehicle and took off on foot down the street and he was pursued by the opposing vehicle operator. Two witnesses at the scene stated that while the subject was being pursued, another vehicle arrived, driven by Province, and two women, Fils and Mayard, allegedly exited this vehicle and hopped into the Saab. Fils and Mayard were transported from the accident scene by ambulance after allegedly claiming injuries sustained in the accident. The subject stated to police at the accident scene that he had only one passenger in his vehicle at the time of the accident but later allegedly claimed to Commerce Insurance Company that he had three passengers in his vehicle. Fils, Mayard and Province gave statements to Commerce regarding alleged facts of the accident.

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This case was referred through the Brockton Police Reporting Initiative (BPRI) program.

These Brockton Task Force cases were prosecuted by Assistant District Attorney Tara Cappola of Plymouth County District Attorney Timothy J. Cruz's office.

### **Boston Task Force**

The case against **Maria Semedo** was continued without a finding for six months on September 27, 2005. Semedo had been charged with filing a fraudulent insurance claim. Semedo reported to Premier Insurance Company that she was involved in a motor vehicle accident on September 17, 2002 with her 1997 Audi A4. Semedo alleged that she was hit by an unknown vehicle. An accident reconstruction determined that the damage sustained by the Audi was inconsistent with a collision with another vehicle.

The case against a **Boston man** was continued without a finding for one year. On three separate occasions, the subject claimed to Liberty Mutual Insurance Company that his 1998 Acura CL was broken into and a DVD/CD stereo system was stolen. Investigation revealed that receipts provided by the subject in support of his theft claims were fraudulent.

Boston task force cases are prosecuted by assistant district attorneys in Suffolk County District Attorney Daniel Conley's office and assistant attorneys general from Attorney General Tom Reilly's Insurance and Unemployment Fraud Division.

### **Lawrence Task Force**

**Lidia Soto** and her daughter **Keila Barias** were both found guilty on October 31, 2005 for their roles in a Lawrence staged accident. Each was sentenced to one year in the House of Correction, suspended for two years, and ordered to pay \$1,280 in restitution and a \$5,000 fine. **Rudolf Santini** pleaded guilty to defrauding an insurer and larceny on August 8, 2005. He was sentenced to six months in the House of Correction, suspended for two years, and ordered to pay a \$2,000 fine and \$1,286 in restitution. The case against **Anastacia Cruz** was continued without a finding on May 12, 2005. She was ordered to pay \$2,000 in fines and restitution. Soto, Barias, Santini and Cruz, along with four other individuals, were involved in an accident in which one vehicle was allegedly hit from

behind with such force that it caused the vehicle to travel across an intersection and strike a telephone pole. An accident reconstruction determined the force of the impact was so minor that it could not have caused the vehicle to be pushed across an intersection and that the damage caused by the telephone pole was an intentional act. Cases are pending on the other four individuals. Plymouth Rock Assurance Company and Hanover Insurance Company were the carriers.

The case against a **Lawrence woman** was continued without a finding for two years on September 19, 2005. The case against **her son** was also continued without a finding. On February 3, 2003, the woman reported to police that while stopped at an intersection stop sign, her 1990 Nissan Maxima was struck in the rear by a hit-and-run driver. An accident reconstructionist determined that the damage to her vehicle was caused by backing into a stationary object and not by another vehicle. The woman, her son and daughter all filed injury claims with OneBeacon Insurance Company and treated for their alleged injuries.

**Marlon Castanaza** was arrested September 15, 2005 on charges of motor vehicle insurance fraud, burning insured property with intent to defraud, burning a motor vehicle: owner's statement to the fire department, statements alleging motor vehicle theft, false report to a police officer and attempted larceny. Castanaza reported that he allegedly last saw his 1998 Mitsubishi Eclipse on the street in front of his Methuen home on June 4, 2005 shortly before he went to bed for the night. The following morning he allegedly discovered the vehicle was missing. Lawrence police recovered the vehicle fully engulfed in flames shortly after Castanaza claimed to have last seen the vehicle. The State Fire Marshal's office and the Lawrence Fire Department determined that gasoline has been used as an accelerant to burn the vehicle. Liberty Mutual Insurance Company denied the claim due to inconsistencies in Castanaza's story regarding the alleged theft. In addition, a forensic analysis determined the vehicle's ignition was not defeated and the vehicle failed to pass inspection the day before the alleged theft.

Lawrence task force cases are being prosecuted by Assistant District Attorneys Greg Friedholm, Jay Gubitose and Ron DeRosa of Essex County District Attorney Jonathan Blodgett's office.

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## ***Property Fraud***

The following case story appeared in the August 2005 issue of *e-focusFraud*.

### **Alleged Theft at Marlborough Residence**

**MARLBOROUGH– Eric Mason and Lori Biele** reported to police that on November 19, 2003 their home was ransacked and several items were missing, including two Kona Dawg bicycles and a Sony television. The alleged theft was also reported to Sentry Insurance Company, their homeowner insurer, and the pair provided receipts totaling more than \$4,800 for the items allegedly stolen. Sentry denied the claim due to inconsistencies in the theft report and receipts submitted. Inconsistencies include alleged bogus receipts for the items reported stolen and questionable ownership of the items at the time of the alleged theft. Complaints were issued on July 22, 2005 in Marlborough District Court against both Mason and Biele. Each was

charged with filing a fraudulent insurance claim, attempted larceny and filing a false police report. Assistant Attorney General Alexandra Alland of the AG's Insurance and Unemployment Fraud Division is prosecuting the case.



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