

**Workers' Compensation
Premium Evasion Indictments**

BOSTON- Joint investigative efforts by the Insurance Fraud Bureau of Massachusetts (IFB), the Department of Industrial Accidents (DIA) and the Attorney General's Office were rewarded when a Connecticut-owned employee leasing company and its owner/president were indicted in one of the largest workers' compensation fraud cases prosecuted in Massachusetts. The company is accused of altering employee related statistics which resulted in understating workers' compensation premiums by over \$3 million.

A Suffolk grand jury returned a 74-count indictment against the Connecticut firm and its owner on December 19, 1994. The corporation is charged with 11 counts of larceny over \$250 and one count of failing to provide workers' compensation coverage. The owner is charged with 11 counts of larceny over \$250, 25 counts of forgery, 25 counts of uttering a forged instrument and one count of failing to provide workers' compensation coverage.

The leasing company is alleged to have collected \$65,000 from its client companies during a five month period in 1991 for the purchase of workers' compensation insurance coverage. Allegations also include the falsifying of certificates of insurance from a non-existent insurance company to show proof of coverage. Additionally, it is alleged that the leasing company under-reported the actual number of leased employees and misrepresented employees' job classifications to the assigned ... Turn to **LEASING**, page 8

**A Message from John J. Mooney,
Chairman, IFB Board of Governors**

As I look forward to my retirement in 1995, I look back upon many years within the insurance industry with a deep sense of pride and accomplishment. Since its inception six years ago, I have served as President of the Arbella Mutual Insurance Company. During my career I have come into contact with many fine professionals within and outside of the insurance industry. I have taken part in a great many professional endeavors to better the performance of industry personnel in order to better serve our customers. However, there are few endeavors of which I am more proud than the creation of the Insurance Fraud Bureau of Massachusetts (IFB).

The insurance industry's continuing commitment to combatting and eliminating fraudulent claims was demonstrated by founding and funding the IFB. In 1991, the IFB was created to fulfill a specific need of pooling the combined resources of the insurance industry and state agencies including the Attorney General's Office. The creation of the IFB was a unique attempt to synergize the cooperation of public and private entities, an attempt that in ... turn to **MESSAGE**, page 2

IFB Progress Report
(through December 30, 1994)

Convictions	72
Individuals Indicted	87
Complaints Issued	92



Cases Referred for Prosecution 192

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four years has become a national benchmark for fighting insurance fraud. The IFB has become renowned across the nation for its success.

The IFB is funded by the casualty insurance industry through the Massachusetts Automobile Insurers Bureau and the Workers' Compensation Rating and Inspection Bureau. IFB funds an insurance prosecution unit within the Attorney General's Office, a first in the country.

Initially, there were interest groups that believed the Insurance Fraud Bureau should be created by and remain within state control. However, by allowing the IFB to function as a private entity, the Legislature has granted a great deal of investigative independence to the Bureau. The discretion afforded has resulted in a wide range of extensive investigations in the areas of automobile bodily injury, automobile theft, workers' compensation, homeowner, life, health, disability, maritime, and multi-line insurance. Additionally, investigations have been conducted of industry personnel, health care professionals, legal service professionals, and licensees of all kinds. Any individual affecting the insurance industry can be subject to IFB investigation.

While our activities involve prosecuting perpetrators of insurance fraud, our objective is to deter and prevent insurance fraud from its inception. Thus, our ongoing deterrent activity is to publicize the activity of the Bureau and the prosecutorial results of the Attorney General's staff.

The public is becoming more aware of IFB activities and its philosophy that criminal conduct involving insurance will not go unpunished in a criminal court, as had been the case historically.

With the professional, hard working, dedicated personnel of the IFB, headed by Dan Johnston as Executive Director and Dan Skelly as Vice President-Chief of Investigations, and the Assistant AGs in Attorney General Scott Harshbarger's office, there is much that should be feared by those who generate a "fraud tax" on our insurance customers.

As I step down as Chairman of the IFB Board of Governors, I will look upon the IFB as one of the most successful organizations I have been involved with in my 47 years in the industry, and I wish to express my gratitude to the many fine individuals with whom I have had the good fortune to be associated.

John J. Mooney, Esq.

Chairman, IFB Board of Governors, 1991-1994
President, Chief Operating Officer, Arbella Mutual Insurance Company, 1988-1994

Multi-Line Highlights

Agent Preys on Minority and Women Business Owners

MARSHFIELD- The former owner and principal of an East Weymouth insurance agency stole over \$88,000 by selling fraudulent surety bonds primarily to minority-owned and women-owned businesses. The subject used three different schemes; he sold surety bonds written by non-existent companies, sold forged surety bonds from a legitimate company, or required customers to post "collateral" for surety bonds which was never returned. The amount of money stolen by the agent ranged from \$2,600 to more than \$20,000 from each victim.

The subject pled guilty to eight counts of larceny in Essex Superior Court on August 22, 1994. He was sentenced in October to serve four to five years in state prison. He was also ordered to pay over \$100,000 in fines and restitution. The subject has already served a federal prison sentence stemming from this scheme.

"Stealing Sales Assistant" Case Update

WAKEFIELD- A former Metropolitan Insurance Company clerical sales assistant forged the endorsements of several policyholders and

cashied their proceed checks which totalled over \$15,000. The policyholders were friends and relatives of the woman. An internal audit by the carrier uncovered the thefts.

A Wakefield woman admitted to facts in Lynn District Court on November 16, 1994 and five counts of larceny were continued without a finding. She was ordered to attend psychiatric therapy and gambling therapy and to pay restitution of \$15,295.

Property Highlights

Moral: Don't Keep Those Reported Stolen Items Laying Around the House



BROCKTON- A subject had reported to police in January 1991 that upon returning to his residence one evening he found that his home had been burglarized. He provided a list of missing items to the police. He then contacted Prudential Insurance Company, filed a claim for the stolen items and was paid \$8,725 for his loss. In September 1993, police executed a search warrant at his residence on unrelated criminal charges and located many of the items that had been listed as missing on the police report from the 1991 burglary.

The subject pled guilty on December 28, 1994 in Brockton District Court to charges of insurance fraud, larceny and filing a false police report. He was sentenced to one year in the House of Correction, suspended, and to pay restitution of \$8,725 to the insurance carrier.

"Blabbermouth" Case Update

BRAINTREE- A case developed when a thief broke into a home, stole a set of car keys and an automobile that was parked in the driveway. The thief, who stopped to pump gas in the stolen vehicle, bragged to the station attendant that he had just stolen the automobile. The attendant reported the theft to the police. That same evening, upon recovery of the then abandoned

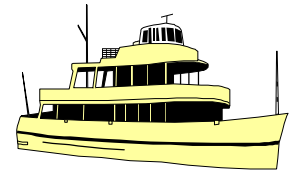
vehicle, the police went to the insured's home. The daughter, who was asleep at the time and alone in the house, was unaware that her vehicle was missing. She accepted the police officers' offer to check the rest of the house and together they determined nothing amiss. However, the father reported to his insurance carrier, Hingham Mutual Insurance Company, that several items had been stolen from his home from the burglary.

The father and daughter each pled guilty to insurance fraud, attempted larceny and conspiracy in Quincy District Court on November 22, 1994. The father was sentenced to one year in the House of Correction, suspended. The daughter was sentenced to one year probation.

Marine Highlights

It's All in the Timing

TAUNTON- A subject reported to his insurance carrier, Prudential Insurance Company, and to police that items



had allegedly been stolen from his boat which he had left parked in the driveway of his home. Items reported missing included a CB radio, a marine radio, marine batteries and a portion of the motor. The subject denied that he had ever made inquiries regarding replacing or repairing these same items prior to his loss. However, investigation showed that he had actually ordered and received the delivery of the new parts for his boat prior to the date of the alleged theft.

A complaint was issued against the subject on insurance fraud and attempted larceny charges in Taunton District Court on September 30, 1994.

Life Highlights

Reports of My Death are Greatly Exaggerated

REVERE- A Revere man took out a life insurance policy on his brother from Aetna Life and Surety Insurance Company in the amount of \$100,000 and listed himself as the sole beneficiary. The man subsequently filed a claimant's statement for death benefits and produced two death certificates and a burial permit to the carrier as proof of his brother's death. However, investigation revealed that the subject allegedly forged his brother's signature on the policy and signatures on the death certificates. The brother is, in fact, alive and well and was unaware that a life insurance policy had been taken out in his name by his brother and that a claim had been filed.

A complaint was filed against a Revere man in Quincy District Court on November 29, 1994 on insurance fraud and attempted larceny charges.

Automobile Highlights

A Picture is Worth a Thousand Words

AGAWAM- An Agawam man filed an insurance claim with his carrier, CNA Insurance Company, and a police report stating that his van had allegedly sustained vandalism damage. Investigation, however, revealed that a week earlier the subject's vehicle had been towed from an intersection for impeding traffic. At that time, a Springfield police officer and a security man at the tow yard had each reported that the vehicle was heavily damaged. Additionally, a towing company inventory form included a photograph of the damaged van and an independent appraisal of the van indicated that the damage had resulted from two separate collisions and not from an act of vandalism.



A complaint was issued against the subject in Springfield District Court on December 19, 1994 on insurance fraud and attempted larceny charges.

Couple Conjures up Collision Claim

SPRINGFIELD- Two subjects were allegedly involved in a two car collision. One of the subjects submitted a claim for personal injuries to his carrier, John Hancock Insurance Company. Although the subject denied that he knew the other driver, it was discovered that the two subjects are married. Additionally, the first subject listed another passenger in his vehicle as being injured. This passenger is allegedly non-existent and was an alias name used in order to file a PIP claim with the adverse carrier, National Grange Mutual Insurance Company.

Complaints were issued in Springfield District Court against a Springfield couple on seven counts of insurance fraud and larceny on December 19, 1994.

Taxi Cab Foul Up

HYDE PARK- A Hyde Park man reported to Liberty Mutual Insurance Company that he was operating his personal vehicle when he allegedly struck a taxicab and sustained collision damage to both vehicles. Investigation revealed, however, that the accident had been a single car collision with a fixed object. The subject admitted to IFB investigators that he had been hired by the assigned operator of the taxicab to drive the taxi. While operating the cab, he was cut off by another vehicle, lost control of the cab, and struck a pole. The assigned operator of the taxicab, who did not have collision insurance or the money to pay for repairs, came up with the scheme to maintain that the other man's personal vehicle struck the taxicab in order to collect insurance money.

On December 15, 1994, complaints were issued against two men in Dedham District Court on insurance fraud and attempted larceny charges.

"Jump-In Passenger" Case Update

DORCHESTER- The driver of a vehicle involved in a two car collision reported to his carrier, Aetna Casualty and Surety, that four people

occupied his vehicle at the time of the accident. However, the driver and passenger of the adverse vehicle reported that there were only two people in the vehicle.

A complaint was filed in Brockton District Court on November 18, 1994 against the driver on charges of insurance fraud and attempted larceny. The case against one of the jump-in passengers was previously continued without a finding and that subject was given probation.

There's a Solution to Every Problem

WEST SPRINGFIELD- A subject contacted his insurance agent, representing Arbella Mutual Insurance Company, to inquire if the broken rear window of his vehicle was covered under his policy. He was informed that he had no comprehensive coverage which would cover the damage. The following day the subject filed an automobile theft claim reporting that he had allowed his girlfriend to drive the vehicle and while she was in possession of the vehicle it was allegedly stolen from a mall parking lot. After the automobile was recovered, and as part of the loss, the subject claimed a smashed rear window and stolen stereo equipment and sun roof. Mall security officers testified that they never saw the vehicle in the parking lot.

The subject pled guilty to filing a false auto theft report, insurance fraud and larceny charges in Hampden Superior Court on November 3, 1994. He is presently serving a seven to ten year sentence in state prison after conviction of larceny of a motor vehicle. His girlfriend pled guilty to similar charges and was sentenced to six months in the House of Corrections, concurrent with a present charge she is serving.

Peabody Man Double Dips

PEABODY- A man involved in a motor vehicle accident made a claim for PIP benefits and received a wage reimbursement of \$7,945. The

subject allegedly stated on his PIP application that he was a self-employed businessman and provided documentation in support of his lost wage claim illustrating he was earning more than \$1,000 per week. He also answered "no" to the question if he was currently collecting workers' compensation or disability benefits. The Peabody man was, in fact, collecting workers' compensation benefits at the time of the accident and had received temporary total and partial disability benefits throughout this same time period. Carriers affected in this loss included CNA, Sentry and Commercial Union Insurance Companies.

On November 3, 1994 in Peabody District Court a complaint was issued against the subject on charges of insurance fraud and larceny by false pretenses.

Arlington Auto Ring Broken

ARLINGTON- Three subjects submitted allegedly false lost wage and bodily injury claims in connection with five separate automobile accidents that occurred within a 40-month time span. The subjects allegedly claimed personal injuries and filed PIP applications in conjunction with these accidents. They also allegedly used falsified Wage and Salary Verification forms to claim lost wages or to extend the lost wage period. Carriers victimized in the scheme include CNA, Safety, Aetna and Hanover Insurance Companies.

Complaints were issued in Boston Municipal Court, Lowell District Court and Peabody District Court against the three subjects on a total of 33 counts of insurance fraud, larceny and perjury charges. One of the subjects has pled guilty and has been sentenced to six months in the House of Correction and restitution of \$6,000. The other two subjects are awaiting trial.

Keep Those Receipts! They May Come in Handy One Day!

WEST SPRINGFIELD- A subject reported to the police that his motor vehicle had been broken into and he listed as missing a compact disc

player and related equipment. He reported the value of his stereo system at approximately \$2,000. He contacted and reported the theft of the items to his carrier, Amica Mutual Insurance Company, and supplied a receipt for the purchase. When a claim representative contacted the store at which the subject allegedly purchased the equipment, he was told that they did not sell that brand of equipment. However, the store was familiar with the subject because he had bought another piece of stereo equipment from them. The receipt submitted to the carrier was allegedly altered with the addition of the alleged stolen items.

A complaint was filed against the subject in Springfield District Court on September 29, 1994 on charges of insurance fraud and attempted larceny.

Stolen Porsche Recovered

NORTH ATTLEBORO- After receiving a tip from an informant concerning a stolen vehicle, IFB investigators, working with North Attleboro Police, obtained a search warrant and recovered a 1985 Porsche which had been reported stolen from Rhode Island three years ago.

A North Attleboro man admitted to facts of receiving stolen property on September 27, 1994 in Attleboro District Court. The case was continued without a finding for one year.

The names of identifiable individuals have been deleted in compliance with the Criminal Offender Record Information (CORI) Statute G.L.c. 6, §167.

Workers' Compensation Highlights

Search Warrant Issued Against Haverhill Business



HAVERHILL- Due to a joint investigation by the Federal Bureau of Investigation and the IFB, a search warrant was issued against a company owned by a Haverhill businessman who also serves as a city councilor. Files, documents and computers were seized in the search. The subject allegedly under-reported payroll and misclassified employees resulting in the evasion of workers' compensation premium owed. It is alleged that the company routinely split its employees' compensation by representing 60% as trucking expenses and materials and 40% as labor costs. Additionally, high risk personnel were allegedly misclassified to lower risk occupations to evade premium owed. This case originated from a phone call to the IFB toll-free hotline number.

"Busy Beaver" Case Update

NORTH ADAMS- A subject reported that he tripped, fell and injured himself in an unwitnessed accident at his place of employment. He received temporary total disability benefits for over a year from Cigna Insurance Company. However, investigation revealed that the subject held at least three different jobs during his time of disability.

On December 12, 1994, a North Adams man pled guilty to insurance fraud, workers' compensation fraud and larceny in Adams District Court. He was sentenced to two and a half years in the House of Correction, suspended, and \$8,520 in restitution.

"What You Don't Say...." Case Update

LONGMEADOW- A man who reported a work-related injury collected temporary total disability

benefits from Cigna Insurance Company. He subsequently began employment with a temporary agency. On his job application he stated that he had been self-employed and omitted any reference to his disability benefits.

Charges of workers' compensation fraud and larceny were continued without a finding against a Longmeadow man in Springfield District Court on November 4, 1994. He was ordered to pay \$6,071 in restitution.

"Chef Cooks Up Scheme" Case Update

SWAMPSCOTT- A man who was injured on the job trying to lift a stud off a pallet collected disability benefits over a 20-month period in the amount of \$29,000 from Electric Mutual Insurance Company. Despite the subject's contention of disability, he worked full-time as a restaurant chef through the same time period.

The case was continued without a finding against a Swampscott man on October 4, 1994. He received supervised probation and must pay \$13,255 in restitution.

Nurse's Aide has History of Back Injuries

BEDFORD- A former nurse's aide received fifteen weeks of workers' compensation benefits for a back injury sustained while employed at a nursing home. While collecting the workers' compensation benefits from Liberty Mutual Insurance Company, the woman was also employed at another nursing care facility. The Bedford woman has a history of multiple workers' compensation claims based on three separate back injuries. On two such claims, she received over \$42,000.

A Bedford woman pled guilty to larceny and insurance fraud charges on October 12, 1994 in Middlesex Superior Court. She was sentenced to serve four months in the House of Correction and three to five years in State Prison, suspended. She was also ordered to pay \$7,500 in restitution.

IFB Assists Seekonk Police Department

SEEKONK- The establishment and maintenance of strong reciprocal working relationships with other

law enforcement agencies have played a large part in the success of the IFB. So when asked to help, the IFB was more than willing to assist the Seekonk Police Department regarding a possible insurance fraud case.

A salesman in a Seekonk automobile dealership told a young female customer, who owed more on her automobile than what it was worth, that he and another salesman could make her vehicle "disappear" in return for sexual favors. She could also collect the insurance money and purchase a new automobile from him. For helping her, the salesman told her she must perform sexual favors for the two salesmen. The female, who made the initial complaint to Seekonk Police, was interviewed by both the IFB and Seekonk Police and found to be credible. The IFB, with Seekonk Police, are conducting a joint investigation. Meanwhile, the salesman has been arrested by Seekonk Police on five outstanding default warrants.

Apprehension of Escaped Fugitive Nets Honor for IFB

BOSTON- The IFB was honored on December 2, 1994 with an award from the U.S. Department of Justice, Immigration and Naturalization Service (INS). Officials from the Deportation/Fugitive Division in Boston presented this tribute in recognition of the IFB's efforts in aiding the INS to locate one of their "Most Wanted Escaped Fugitives".

David McDonald, Deputy Assistant District Director, and Bruce Chadbourne, Assistant District Director of the INS Deportation/Fugitive Division in Boston presented a plaque and letter of commendation to IFB Executive Director Daniel Johnston and Chief of Investigations Daniel Skelly in recognition of the IFB's assistance to the INS. The fugitive, a native from the Turn to **FUGITIVE**, page 8
FUGITIVE, continued from page 7

Dominican Republic with a lengthy criminal record, escaped from the INS detention facility at the U.S. Coast Guard Base in Boston in March 1994. He had been tracked across four states before his capture in Lynn, Massachusetts in

August.

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risk pool which provided coverage to the client companies. When the discrepancies were discovered, the leasing company owed over \$3 million in additional premiums. The workers' compensation policy was cancelled when the company failed to pay the full premium. The leasing company no longer does business in Massachusetts.

A leasing company "hires" the employees of small businesses and "leases" them back to the same business. The leasing company handles all payroll, tax, insurance and employee-related expenses for the client businesses. With the larger employee base, they claim the ability to obtain more favorable insurance premium rates.

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