

An IFB First!



An Oxford attorney pled guilty on May 10, 1994 in Worcester Superior Court to two counts each of insurance fraud and larceny, marking the first successful prosecution of an attorney by the IFB. The subject was sentenced to two years probation, 500 hours of community service, restitution of

\$5,000 to USF&G Insurance Company and was ordered to surrender his license to practice law within 60 days. A co-defendant in the case was ordered to pay restitution of \$1,700 to Cigna Insurance Company as a condition of pre-trial probation.

The attorney submitted fraudulent wage verification statements to insurance companies in connection with two separate motor vehicle accident insurance claims. He filed personal injury and lost wage claims with USF&G as a result of one of these accidents. He was subsequently paid \$20,000 by the carrier for his claims. In the second motor vehicle accident, both subjects filed personal injury and lost wage claims with Cigna Insurance Company. Cigna settled with the co-defendant for \$1,765.78 in lost wages when she falsely stated in a wage verification that she was employed as a legal secretary in the attorney's law office. The attorney represented her on the lost wage claim.

In the course of the IFB investigation, Department of Revenue records were accessed and it was discovered that over \$400,000 of earned income was never reported by the attorney. The subject is now facing additional charges of failure to pay taxes.

Message from the Executive Director

In an effort to communicate the Insurance Fraud Bureau achievements and highlights we are pleased to introduce our first issue of the IFB's *focusFraud*. The primary focus of this newsletter will share IFB successes and significant court activity with you as the IFB carries out its mission in Massachusetts to prevent, detect and refer suspected fraudulent insurance transactions for criminal prosecution.

The IFB has more to tell you about than our recent third anniversary or the receipt of our 5,000th referral. We recently achieved the conviction of the first attorney investigated by the IFB. In the past three months, guilty verdicts have been rendered against nine other individuals. Additionally, seventeen subjects have been indicted or issued a complaint. Individuals involved in recent court activity include an attorney, a physical therapist, a former insurance agent, an auto body shop owner, a chiropractor, as well as a number of ordinary citizens.

We welcome your comments and suggestions on our new publication.

Daniel J. Johnston

IFB Progress Report

(through June 3, 1994)

Convictions	55
Individuals Indicted	76
Complaints Issued	62



Cases Referred for Prosecution 163

Automobile Highlights



Jump-in Family

A Brighton man, the only occupant of his vehicle, was involved in an intersection collision. An uninvolved witness to the accident stopped to offer assistance. This witness had observed the subject's erratic driving preceding the accident and that the driver was alone in the vehicle. When the subject reported the accident to his carrier, Commerce Insurance Company, he included his wife and son as passengers. A second subject, a Newton man, also claimed that he had witnessed the accident and had observed the entire family in the car. It was determined through investigation that the two subjects were friends. This case originated with a letter to the IFB's hotline unit from the adverse driver.

On March 18, 1994 the Brighton man was found guilty of insurance fraud and was sentenced to two years probation and \$1,500 in court fines. The Newton man was found guilty of insurance fraud and sentenced to two years probation and \$1,000 in court fines. The verdicts were returned by a Middlesex jury.

Auto Body Shop Owner and Manager Plea Guilty to Insurance Fraud Scheme

The owner and the manager of a Watertown auto body shop orchestrated what they thought to be the perfect insurance fraud scheme. The men used cars that were legitimately at their shop for repairs, then claimed that they were the owners of the vehicles and that they were involved in auto accidents. The manager, using assumed identities, purchased auto insurance policies with no collision coverage on an older model vehicle, then claimed to be the at-fault driver in several of the fictitious accidents. The subjects collected proceeds for property damage caused by the fictitious accidents. Several friends and employees at the garage served as "claimants" confirming the accident description. To eliminate suspicion, no injuries were ever reported. Carriers affected in this scam included Hanover, Commerce, Kemper, Arbella, Liberty Mutual, Travelers, CNA and Commercial Union Insurance Companies.

The owner pled guilty on April 22, 1994 in Middlesex Superior Court to four counts each of insurance fraud, larceny and conspiracy. He was sentenced to serve two years in the House of Correction and restitution. On April 21, 1994 the manager pled guilty to insurance fraud charges. He was sentenced to serve six months in the House of Correction and restitution. Two other subjects in this case had already pled guilty and received suspended sentences. Two additional subjects received pre-trial probation.

Stolen Car Found Hidden in Box Trailer

A Hopkinton man reported his vehicle stolen from the Natick Mall and Hanover Insurance Company paid \$14,000 to his auto financing company and \$600 to the subject for "extras" he had added to the car. Two and a half years after the reported theft, while responding to a report of a brush fire in the backyard of the subject's brother, the fire department found the vehicle hidden in a box trailer.

On April 21, 1994 the man was found guilty in Framingham District Court on charges of insurance fraud and related crimes. He was sentenced to six months in the House of Correction, suspended for two years, and restitution of \$14,600 to Hanover. In addition, the subject's driver's license was suspended.

Jump-In Passenger Fined \$530

A Dorchester man was a jump-in passenger in a two car collision. The driver and passenger of one vehicle reported that only two people occupied the vehicle they rearended. However, the driver of the vehicle in which the subject was reportedly a passenger claimed to his carrier, Aetna Casualty and Surety, that four people occupied his vehicle.

The charge of filing a fraudulent insurance claim was continued without a finding in Brockton District Court on May 17, 1994 against the subject. He was given three months probation and fined \$530.

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

Doctor/Patient Deja Vu

A woman from Fall River was injured in an auto collision and claimed injuries, pain and suffering and lost wages. She was treated by a physical therapist who billed and was paid in full by her insurance carrier, Hanover Insurance Company. Four months later, the subject was a passenger involved in another automobile accident. She reported the same injuries and was again treated by the same physical therapist who submitted duplicate treatment dates to another insurance carrier, Amica Mutual Insurance Company. When questioned about the bills, the physical therapist claimed typographical errors.

On April 13, 1994 the woman and her physical therapist pled to charges in Waltham District Court. Both cases were continued without a finding for one year and each subject was ordered to pay \$1,000 in court costs.

Sting Operation Nets Guilty Pleas

Investigators from the IFB and the Rhode Island State Police coordinated a sting operation to recover a stolen vehicle and arrest the vehicle's owner. The subject reported his classic 1967 Chevrolet Chevelle stolen from a mall parking lot and then put out the word that he was looking for a buyer for his car. IFB investigators monitored the sale as an undercover cop posed as an interested buyer for the vehicle.

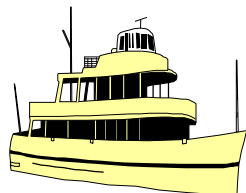
Three subjects pled guilty on concealment of a motor vehicle to commit insurance fraud and other related charges. The owner of the vehicle was sentenced to two years probation in Rhode Island and one year probation in Massachusetts and 30 days loss of license. The other subjects were sentenced to 75 hours of community service.

Marine Highlights

Math Gaffe Nets Guilty Plea

An East Boston man claimed to his insurer, Fitchburg Mutual Insurance Company, that his twenty-five foot power boat was stolen from a locked garage. Upon investigation, it was determined the garage measured just nineteen feet long!

On March 3, 1994 a guilty verdict was filed in East



Boston District Court against the subject. He received probation for one year and \$500 in court costs. Another subject in this case had previously pled guilty to insurance fraud charges.

Property Highlights

He Should Have Danced All Night!

A Holbrook resident filed a claim against his friend's homeowner policy alleging that he fell outside of the friend's home and injured his elbow. The carrier, Hingham Mutual Insurance Company, suspected fraud and denied the claim. It is alleged that the subject was actually injured while he and his friend attended a bachelor party at the Foxy Lady Lounge in Providence, Rhode Island. The subject's wife allegedly helped her husband create the false wage statement.

Three Holbrook residents were indicted on March 21, 1994 in Plymouth Superior Court on insurance fraud charges.

Multi-Lines Highlights

Insurance Agency Owner Embezzles \$51,000

A co-owner of a Brockton insurance agency prepared fraudulent premium finance agreements for insureds allegedly seeking financing for their insurance policies. However, the mailing address indicated on each agreement was a Brockton post office box which, in fact, was rented by the insurance agency. The agent paid approximately \$8,000 in installment payments to avoid suspicion. The finance company paid over \$51,000 to the "clients" when in actuality they were paying the insurance agency. This case originated from a phone call to the IFB toll-free hotline from one of the victims.

In Plymouth Superior Court on June 3, 1994, the former Brockton woman pled guilty to 29 counts of insurance fraud and forgery. She was sentenced to two years in the House of Correction, suspended, and ordered to pay \$40,000 in restitution.

Sales Assistant Steals from Friends and Relatives

A former Metropolitan Insurance Company clerical sales assistant allegedly forged the endorsements of several policyholders and cashed their proceed checks which totalled over \$15,000. The policyholders were friends and relatives of the subject. The sales assistant also allegedly embezzled policy deposits made for payment on automobile policies submitted by sales representatives. An internal audit uncovered the thefts.

A Wakefield woman was charged with multiple counts of larceny in Lynn District Court on June 1, 1994.

Life Highlights

Allston Man "Slips Up" in Disability Claim

An Allston man submitted a total disability claim to his carrier, Colonial Life and Accident Insurance Company, alleging a slip and fall injury he sustained in his home. The subject received a total of \$4,520 in benefits. Upon conclusion of an investigation by the carrier, it was alleged that the claim forms submitted by the subject were fraudulent. The treating physician listed on the form did not exist and the employer's signature on the form was forged.

A complaint was issued in West Roxbury District Court on March 15, 1994 against the subject on insurance fraud and larceny charges.

Disability Benefits Used for Car Payments

A former Springfield woman submitted disability forms to American Health and Life Insurance Company in support of her claim for disability benefits in which both the doctor and employer names were forged. The subject admitted to the forgeries and stated that the \$3,100 insurance proceeds were used for car payments.

A complaint was issued against a former Springfield woman on insurance fraud charges on May 24, 1994 in Springfield District Court.

Workers'

Compensation Highlights

Subject Paints Himself into a Corner

A Taunton man claimed to be totally disabled due to an injury he sustained at his place of employment. Despite this claim of disability, the subject gained employment as a full time painter at another company. He collected over \$9,000 in disability benefits from Wausau Insurance Company.



The subject pled guilty to workers' compensation and larceny charges on June 2, 1994 in Bristol County Superior Court. He was sentenced to 2½ years in the House of Correction, suspended, two years probation, and restitution of \$9,245.

Disabled Man Holds Two Jobs

A subject sustained a work-related injury and collected over \$14,000 in total temporary workers' compensation benefits from Universal Underwriters Insurance Company. Through investigation it was discovered the former Woburn man was employed at two other places during this period of time.

A former Woburn man pled guilty to workers' compensation charges in Framingham District Court on June 2, 1994. He was sentenced to three years probation and restitution of \$2,500.

All Fenced In

A Holbrook man, with the help of his girlfriend, collected over \$31,000 in workers' compensation benefits from Cigna Insurance Company when he allegedly sustained a work-related injury while employed as a painter. The subject indicated he had not returned to work or received any earnings while collecting benefits. During a routine activity check conducted by the carrier, the subject was photographed and videotaped measuring job sites and installing fences for his own company. The subject's girlfriend was allegedly providing the job proposals and checks were being made payable to her.

Indictments were rendered against two Holbrook residents in Norfolk Superior Court on May 18, 1994 on insurance fraud and conspiracy charges.

Franklin Man Hits Paydirt

A Franklin man employed as a landscaper claimed to his employer's insurer, Cigna Insurance Company, that he was allegedly injured while transporting dirt in a wheelbarrow. However, it is alleged that the subject began working only four days after the disabling accident as a full-time laborer with a Rhode Island construction company while continuing to collect disability benefits.

A complaint was issued against this subject in Framingham District Court on April 29, 1994 on one count of workers' compensation fraud and one count of larceny over \$250.

School Van Driver Takes a Jump

A Gilbertville woman alleged that she sustained a knee injury due to a fall while performing her duties as a school van driver. She received temporary total disability payments in excess of \$20,000. Through investigation it was determined that the alleged injury did not occur at the subject's workplace but rather at her home where she injured her knee while jumping down four or five stairs. This case originated from a phone call to the IFB toll-free hotline number.

A complaint was issued on April 27, 1994 in Ware District Court on charges of insurance fraud, workers' compensation fraud and larceny over \$250 against a Gilbertville woman.

Front End Fraud Detection Unit

Since September 1993 some members of the IFB staff have been assigned to the Front End Fraud Detection Unit whose investigative duties are to determine the validity of applications of various companies seeking workers' compensation insurance via the assigned risk pool. The intent of these investigations is not with the ultimate goal of criminal prosecution but rather to prevent the crime of insurance fraud. The IFB receives referred files from the Workers' Compensation Rating and Inspection Bureau. Unit members then determine whether the applicant company is utilizing deception in order to avoid premium or commit other crimes. Early involvement can

prevent crimes, assist in gathering valuable information and losses can be avoided. As a result of IFB investigations, the Department of Industrial Accidents has issued stop work orders to two companies for not having workers' compensation insurance. These companies have agreed to pay premium owed to insurance carriers and to establish current workers' compensation coverage before they are allowed to re-open their businesses.



IFB Goes On-Line with the New Auto Claims Database

In late 1993 the Commissioner of Insurance approved and the Automobile Insurers Bureau of Massachusetts activated the Detail Claims Database (DCD) of all closed automobile personal injury and bodily injury claims. Simultaneously, the Insurance Fraud Bureau was given access to this information base through its Research Division. The DCD, with more than 50,000 claims as of May 1994, improves upon and complements the claims history provided by "The Index", which the IFB already uses extensively. Beyond finding hidden auto claims, the IFB can test referrals against industry claim patterns in a way that was only possible before by soliciting large numbers of claims files from the insurance companies. These DCD patterns can then be applied to those claims associated with a possible IFB investigation. The value of the DCD in fraud prevention, detection, and prosecution should be great and as the DCD grows its contribution to the IFB's mission will also increase.

Fraud Alerts

Are you on the mailing list to receive IFB Fraud Alerts? Following is a brief summary of each Alert. If you have not received one or more of the Alerts and would like to receive the complete version, please let us know and we will send it to you as well as place you on our mailing list for future Alerts.



#1. An investigation, in conjunction with several of the major carriers' Special Investigative Units, has revealed a fraud scheme by glass repair shops. The average amount of fraud on these schemes has been in the \$300 plus range per claim. There are several different case summaries used in this scam.

#2. A body shop operates a third party liability scam by utilizing vehicles previously damaged in actual accidents. While the damaged vehicle is located at the shop for repairs, the employees at the shop use the vehicle in a fictitious accident.

#3. A premium fraud scam perpetrated by some taxi-cab companies and others utilizing private passenger vehicles for hire are displaying improper registration plates.

Do you want additional copies of *focusFraud* for your company personnel? Let us know how many copies you will need and we'll send you a supply.

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Any news or fraud tips you want to share with the other carriers? Use our IFB *focusFraud* to get your messages circulated. News items, suggestions and mailing address changes, additions, and deletions should be submitted to Deborah Terry. All items are published subject to IFB management discretion.

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