

Fraud Focus



Coalition Against
Insurance Fraud

SPRING 2007

PRESCRIPTION DRUG SCAMS FEAST ON INSURANCE MONEY

Insurers only beginning to realize how much they're losing

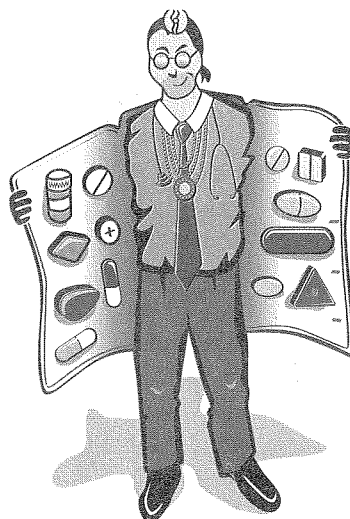
Insurance fraud is fueling an exploding black market for addictive prescription drugs, warns the coalition's upcoming report, *Prescription for Peril*.

As the funding source for a major portion of prescription drugs purchased in America today, insurance money buys crooked doctors, pharmacists, street dealers, doctor-shopping addicts and others relatively easy access to large volumes of legal narcotics, says the report.

Abuse of insurance thus fuels a seemingly bottomless market for so-called drug diversion. This abuse and/or resale of legal narcotics and other prescription drugs has reached epidemic levels in recent years, says the coalition's report, which is authored by Washington, D.C. healthcare consultant William J. Mahon.

Prescription schemes are draining not only health and workers compensation insurers, but also auto insurers that pay fake injury claims from real and staged crashes.

Even so, most insurers barely understand the huge financial costs drug diversion imposes on them. Private insurers alone could lose up to \$79.9 billion in fraudulent prescriptions and related medical-claim costs of prescription drug abuse a year, the report estimates.



Hampered response

Nor do insurers — or society as a whole — appear to fully grasp how large a role exploitation of insurance plays in spreading this destructive problem. This lack of focus has hampered America's response, and allowed drug diversion to grow more deeply entrenched, the coalition's report warns.

Drug schemes have mushroomed in recent years, and vary widely. In many cases, crooked doctors, pharmacists and other medical providers write fraudulent prescriptions for narcotics ranging from painkillers such as OxyContin to antidepressants such as Xanax to stimulants such as Ritalin. The insurance reimbursements and resale to dealers become lucrative income sources.

The courts are seeing more and more cases of medical providers who've used their prescription pads to feed users ranging from desperate addicts to street dealers to recreational abusers who simply want an occasional high. Addicts also are dying from overdoses of drugs that are even filtering down to schoolyards.

Houston doctor Callie Hall Herpin sold more than 17,000 prescriptions for addictive narcotics such as Vicodin to drug dealers for \$1.7 million in cash. She received 10 years in prison.

continued on next page

Ohio pain manager only gives more pain

Patients often came to Dr. Jorge Martinez in agony with chronic pain from injuries. The Ohio pain-management specialist helped them — but for a price that proved deadly for at least two.

Martinez threatened to withhold painkillers unless patients submitted to nerve-block tests. The tests were useless, but Martinez then billed insurers for more-expensive ones.

He also soaked insurers for painkillers such as OxyContin that he fed to addicted patients to keep them coming back. Martinez often saw more than 100 patients a day, and fraudulently billed insurers more than \$60 million for drugs and tests.

Blair Scott Knight and Jack Lancaster had job-related back pain. Martinez kept stepping up the OxyContin doses, handing them a sheaf of prescriptions each week.

Knight died of an Oxy overdose the day he last visited Martinez. Nine months later, Lancaster passed out in Martinez' waiting room and died of an overdose later that day.

Martinez received life in prison.

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Prescription drug scams

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Ohio pain-treatment doctor Jorge Martinez refused to provide his desperate and often addicted patients prescriptions for narcotic painkillers unless they took part in his scheme to soak insurers. He received life in prison (*see sidebar, page 1*).

Massachusetts physician Michael R. Brown allegedly accounted for nearly one-third of all OxyContin tablets prescribed in the state in 2004. His trial is ongoing.

A major share of the illicit prescription payload also includes individual addicts who shop for doctors who will unknowingly — and sometimes knowingly — write fraudulent prescriptions. “Doctor shopping typically is the most-common drug diversion scheme that we see,” Tabitha Kielb, an investigative team leader for health insurer Aetna, Inc., says in the report.

Whatever the source, the troubling signs of a rapidly accelerating drug trend abound. Some 15.2 million Americans admitted to abusing prescription drugs in 2005, according to federal estimates. Prescription drug abuse rose 93.8 percent between 1992 and 2003, with opioids and stimulants leading the way, says a 2005 study by the National Center for Addiction and Substance Abuse (CASA).

The U.S. population grew 13 percent but the number of prescriptions for narcotic painkillers soared 222 percent during that time, the CASA study says.

Several factors are converging to create a “perfect storm” that allows drug diversion to thrive.

Specialty unregulated

Pain management has emerged as a legitimate medical specialty. This has encouraged wider use of prescription narcotics, and coincided with the development of increasingly powerful pain drugs. But because pain management is largely unregulated, any doctor can designate him- or herself a pain-management specialist.


The ever-widening role of insurance as a prime financier, however, is generally overlooked by society. Private insurers, for example, paid for nearly 50 percent of prescription drugs in 2005. That’s nearly double the 26 percent the insurers paid in 1990, says the Kaiser Family Foundation.

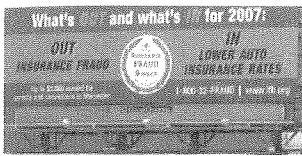
Similarly, most insurers have little idea how steep a price they’re paying. Prescription fraud losses alone could range from \$6.9 billion to \$23 billion annually. But the total price tag is even more alarming: Insurers could lose up to \$79.9 billion a year when all related medical claims for office visits, emergency room treatments, testing and other costs are added up.

Wellpoint, Inc., one of the nation’s largest health insurers, found that for every \$1 in narcotic prescription costs it pays out to suspected doctor-shopping plan members, it pays out \$41 in related medical claims.

Insurers should consider ramping up their response at many levels. Among the responses:

- Play a larger leadership role in addressing drug diversion nationally;
- Better profile losses and exposures to develop effective counter-strategies;
- Improve their data systems to better compare prescription claim data with related medical claims;
- Support the continued creation of state prescription-monitoring programs, which can be an effective early-warning system;
- Establish more point-of-sale controls such as photo IDs and dates of birth to verify certain prescriptions;
- Refer more cases to local prosecutors, who typically are more likely to take on doctor-shopping drug cases than are state or federal prosecutors.

The report, which is scheduled to be published in May, contains recommendations for legislators and the medical community as well. 



Crash rings drop, Mass. rates fall

Taskforces are dropping so many arrest bombs on staged-accident rings in Massachusetts that regulators are rewarding long-suffering drivers with 11.7-percent average

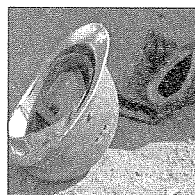
premium reductions this year. The biggest paybacks are coming in communities where the taskforces have focused their attention. Injury claims in those locales have plummeted \$200 million overall, and lucky drivers are taking the savings to the bank. Motorists in Lawrence will save about 25 percent, for example, and nearly 18 percent in Dorchester. Some 13 taskforces — the anti-fraud equivalent of Green Beret operations — are hunting down fraud rings around the state. The newest taskforce was assigned to Worcester recently. Police there have tasked a detective to work with the Massachusetts fraud bureau. Insurers are combing their files for evidence of fake injury claims from setup car crashes. The fraud bureau also erected a billboard along heavily traveled I-290, offering a \$5,000 reward for tips that take down perps. The clampdown began after Altagracia Arias — a grandmother and ring member — died in a botched staged accident in 2003. News coverage soon revealed staged-accident rings were widespread and driving up auto premiums. The state fraud bureau began coordinating multi-agency taskforces to regain control of the hardest-hit communities.

Agents bilking clients continues to bedevil regulators

“A disturbing and growing number of agents won’t hesitate to bilk their own clients in order to pad their own lifestyle or bail out an agency that’s in trouble,” the coalition’s Jim Quiggle says in a recent newspaper series detailing agent fraud in the *Kansas City Star*. Agent fraud is a problem in Missouri, but also elsewhere around the U.S., the series says. Most insurance agents are honest, but criminal background checks by regulators are spotty, the *Star* says. Nor are there reliable statistics about agent fraud, though consumers filed more than 9,700 complaints about agents between 2003 and 2005, the NAIC says in the series. Agent fraud also appears to be spiking, but it’s unclear how much of this is because the number of agents has increased by nearly 59,000 in the last five years. Insurance departments discipline about 5,000 agents a year, though this is only a small percentage of the total number of agents. But this figure may be deceptively low, the *Star* says. Agent fraud often isn’t detected, and prosecutors often don’t chase down cheating agents in court.

Firms dodge NY workers comp premiums

Employers cheat New York’s workers comp system out of as much as \$1 billion a year by illegally avoiding paying their full share of state-required premiums, says a study by the liberal Fiscal Policy Institute. These illegal underpayments represent 15-20 percent of all workers comp premiums that firms are supposed to pay in New York each year, the study contends. Conservatively, between 500,000 and 1 million New Yorker workers thus are denied coverage. Firms lie that many workers are independent contractors to avoid paying comp coverage. Lax state oversight and failure to coordinate anti-fraud operations with private insurers contribute to the problem, the study alleges. “Other states, including Florida, California, New Jersey and Delaware, have started to respond aggressively to such flagrant employer labor practices,” the study says. “Investigators in Florida close down construction sites for non compliance and arrest violators. California and New Jersey are seeking to curb the misclassification of workers as independent contractors and California has targeted ‘consultants’ who promote illegal labor practices.” The study is available at www.fiscalpolicy.org.



In Brief

Divers pulled 31 reportedly stolen vehicles from a canal in **South Florida** recently. Fourteen vehicles still had keys in the ignition, and officials are checking to see how many vehicles were dumped by owners to make bogus insurance claims... **Chechen extremists** are funding terrorism by convincing people to give up their vehicles for insurance claims, the **Los Angeles Police Department** says. The vehicles then are sold overseas for several times their U.S. value, and the money allegedly finances terrorist operations... **Northampton County, Pa.** paid more than \$100,000 in health premiums for 47 dead people and other ineligible persons in 2005. Officials are trying to see how much involves fraud... Slowdowns and layoffs in **Nevada’s** cooling construction business could herald bogus workers comp claims, officials say. Monthly workers comp benefits are higher than unemployment benefits in Nevada... **BrickStreet Mutual**, a private insurer that handles West Virginia’s workers comp business, has sent 75 cases for investigation in its first year and a half. The insurer says it’s saved at least \$4.6 million in bogus claims... **Douglas County, Neb.** is requiring DMV clerks to call police the moment they spot someone using a fake auto-insurance card to register a vehicle. Previously, they just confiscated the cards and let the perps walk away... **Staged-accident gangs** in the UK often target women and mothers with babies because they’re more likely to admit fault at the scene, officials say.

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Dodging the costs of auto insurance

Drivers register vehicles with relatives, friends and P.O. boxes in locales with lower premiums

By BRYAN GILMER

The sales pitch at the party starts with seemingly innocent small talk. "Man, aren't these car insurance rates in Brooklyn brutal? How much are you paying?" the pitchman asks someone. The answer, usually, is \$5,000-\$6,000 per year.

But his followup line really grabs the listener's attention: "How'd you like to cut that to two thousand bucks this year, and a thousand bucks a year after that?"

He's a small-time hustler, probably from the neighborhood. "He might get 10 people to say yes. They give him the money. The next day, he'll run down to Pennsylvania, get 10 cars insured, titled and registered and bring back the tags," says Larry Milanesi, director of national investigations for OneBeacon Insurance, and a board member of the New York Alliance Against Insurance Fraud. The huckster keeps \$1,000 per customer. "A guy like that can make \$10,000 in one night," Milanesi says.

And an unfortunate insurer now has 10 new high-risk, New York City customers rated as low-risk, rural Pennsylvania drivers who are paying far below their fair auto premiums.

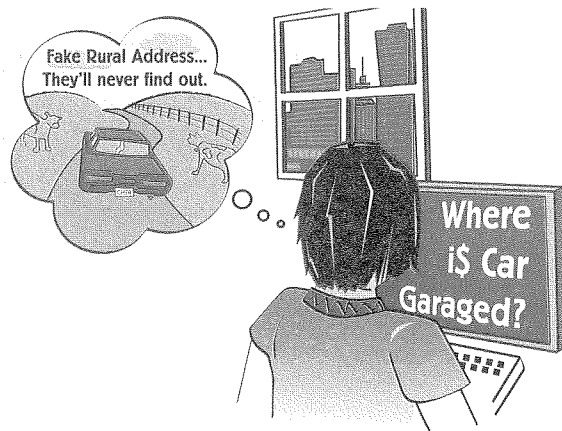
Metro areas

Anxious to avoid high auto premiums, large numbers of drivers are fraudulently registering vehicles in states or even nearby counties with lower rates. This can be especially true of drivers in high-risk major metro areas.

Evading auto premiums isn't new, whether a recruiter greases the scam or motorists operate on their own. Nor do

fraud fighters know how widespread or expensive the problem is nationally, but it appears especially common in many Eastern states.

Typically, evaders use the address of a relative or friend in the lower-premium



state. They might also rent a P.O. box or even use their vacation home as the claimed address. They might use a phony lease or other document to "prove" state residency and buy coverage before heading to the DMV.

Massachusetts drivers register their vehicles in border towns in New Hampshire. Motorists in New York and New Jersey hop over to Pennsylvania. New York City drivers are registering in Upstate New York. Large numbers of evaders in Washington, D.C. are registering for lower-priced coverage in Maryland and Virginia.

Washington's fraud bureau has handled 513 cases since 2003, and deals with about 15 cases a month. "There are a lot of violators out there for the small jurisdiction we're in. Everybody's trying to save a buck," says Gregory Marsillo, assistant director of the District's fraud bureau.

New York and New Jersey drivers also are flocking to North Carolina to exploit the state's low premiums. Under North Carolina law, agents also can't refuse to write a resident's auto policy, and agents can have a hard time spotting false registration documents.

True rate evaders

"There are really two different groups of individuals doing this," says Al Koehler, director of investigations for the North Carolina insurance department.

"There are the true rate evaders from New York and New Jersey coming down because the rates here are about one-fifth as much. There are also illegal immigrants looking for documentation to stay in the country. If they can get insurance, from that they can get a driver's license."

Though conclusive figures about the costs of rate evasion are in scarce supply, fraud fighters say the price can be steep.

"We're losing a ton of business here," OneBeacon's Milanesi says of New York. "And not only that, the state is losing tens of millions of dollars in registration fees, inspection sticker fees and so forth."

Roy Miller, executive director of the Pennsylvania Insurance Fraud Prevention Authority, agrees.

"When [New Yorkers who register in Pennsylvania] have an accident up in New York, it's rated back to where the car is registered," he says. "Our people in Pennsylvania are paying for that. It's important to us to get a handle on it so we're only paying what we're entitled to, and not for

some other state's accidents."

There are other harmful effects: More than half of the 300,000 parking tickets issued to Pennsylvania-registered vehicles in New York City during 2005 — \$14.3 million worth — remain unpaid, a New York commission found. And when a vehicle is involved in a crime, a phony registration address makes it tough for cops to track down the crook.

Taxis and limos

Most premium evasion involves private-passenger vehicles. But eight people illegally registered fleets of taxis, limos and school buses in upstate New York to avoid higher premiums in New York City, prosecutors say. The suspects dodged \$1.4 million in commercial auto premiums over the last two years, officials allege.

Fraud fighters are deploying an array of responses. Many tend to be administrative, because it can be difficult to convince prosecutors to chase such nickel-and-dime scofflaws when the dockets already are crowded with violent crime cases.

A citizen's association in Washington, D.C. prowls its neighborhood's streets at night, looking for vehicles with out-of-state plates.

Still, North Carolina lawmakers are debating making premium evasion a crime, and a bill requiring insurers to monitor the practice more closely has cleared the New York Assembly.

Drivers in Lawrence, Mass., near the state's northern border, are registering and insuring their cars in New Hampshire using P.O. box addresses there. If a vehicle with a New Hampshire license plate has been in Lawrence for more than 30 days, police slap orange window stickers on vehicles, warning the owners to register legally.

Evaders can be anyone, including little old lady

Though some fraud rings deal in auto premium evasion, usually it's regular policyholders who freelance the scheme on their own, investigators say.

Drivers can save several hundred dollars a year.

"The motivation for this is financial," agrees Roy Miller executive director of the Pennsylvania Insurance Fraud Prevention Authority. "Some people have to make the choice, should I send my kid to college or pay for my auto insurance. A lot of people take the route to be a rate evader."

Who are the typical evaders? Fraud fighters offer differing opinions.

"I think we find this more commonly among those who are economically strapped trying to cut a corner," says Daniel Johnston, head of the Massachusetts fraud bureau.

"These are not your upper-income-level folks, these are working-class people struggling to make ends meet," says Miller.

"It crosses all socioeconomic borders," says Seth Perlmutter of Lexis-Nexis.

She can even be a little old lady. Perlmutter recalls a Manhattan woman in her 70s who claimed her car was garaged out on Long Island, at her son's address.

"The premium difference between Manhattan and Long Island is something like \$6,000," Perlmutter says. "She told the insurer that she lived with her son and daughter-in-law out on Long Island. Same last name, so nothing was really obvious there."

But when Lexis-Nexis checked her public records, "our system showed everything going to a Manhattan address except the car insurance," Perlmutter says.

"They also are evading paying property excise taxes to the proper authority," says Daniel Johnston, director of the Massachusetts fraud bureau.

Coordinate leads

A citizen's association in Washington, D.C. prowls its neighborhood's streets at night, looking for vehicles with out-of-state plates. The D.C. fraud bureau and Maryland insurance officials also coordinate leads, with a third D.C. agency actually stalking the streets to issue citations for D.C. scofflaws with illegal Maryland plates.


But prosecutions are rare, if they happen at all in D.C., Marsillo says. The downside risk to evading premiums thus is low while the potential savings are high.

Lexis-Nexis offers insurers a commercial solution. For up to 75 cents per inquiry, insurers can track down public records of one or thousands of suspects in a single batch, says Seth Perlmutter, vice president of insurance services.

The software throws up a red flag if a suspect's bills all go to one address, but the driver says the vehicle is garaged at another address. Carriers then can refer the case for possible prosecution, or demand that the policyholder correct the information — and pay the correct premium.

One carrier recouped \$3 million in auto premiums after scanning 19,000 files of suspected evaders, Perlmutter says. "Carriers are running it in problem areas, in areas where loss ratios are out of whack," he says.

Yet many insurers do nothing even though they know they have a problem, he says.

"They look at it and say, 'My loss ratios are low enough, and I don't feel there's a need for it,'" Perlmutter says. "Our product does not allow a carrier to just take our results and automatically raise the premium. They have to investigate it. Some carriers say, 'I don't want to lose the business.'" 

Bryan Gilmer is a freelance writer based in Durham, N.C.

In Brief

Auto Rookie Jersey City policeman Edward George Kopf said someone stole his Lincoln Navigator on New Year's Eve. But cops in Hazleton, Pa. say they found the abandoned vehicle and impounded it in December... **Property** May Espino told State Farm that someone stole her \$8,250 diamond ring in 2002. The insurer paid the claim, but the Wake Forest, N.C. woman later said the same ring was stolen from another address in 2005, officials say. Police allegedly found the ring at her boyfriend's home... **Arson** Adolfo Pulido torched his steakhouse for \$245,000 in insurance money, California officials say. Witnesses say they saw him removing a big-screen TV and booze before the blaze. The eatery also was in bad financial shape... **Agent** Steven Kitchin stole nearly \$1.3 million in premiums for sports-accident coverage for high schools, universities and school districts across the U.S. The Indiana man provided bogus policies, and received 27 months in federal prison... **Health** Dr. Jorge Forcada endangered HIV and AIDS patients by diluting their drugs with saline solution but charging insurers full price. The Hialeah, Fla. doc also gave drugs to people who didn't need them... **Workers comp** Ronald Anger illegally avoided \$200,000 in workers comp premiums by telling his insurer that his firm Ranger, Inc. handled safe work such as snow plowing and patching streets. In fact, the Worcester, Mass. man ran a demolition company. His scheme went up in smoke.

CRIME NEWS
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**Calif. and Ark. crash rings pinned after record cons**

California and Arkansas recently busted among the largest accident rings in their histories, officials say. In California, more than 100 suspected ring members fleeced insurers out of at least \$500,000 in fake injury claims from real accidents, officials allege. Employees from 12 law offices in the Los Angeles area, including two lawyers, allegedly referred legitimate crash victims to chiros who made inflated claims for treatment. The crash victims, law offices and chiros each received a cut of the insurance money, prosecutors say. The busts began with a 2005 probe of attorneys and other law-office workers. Over in Arkansas, Frederic Odell Watson allegedly ran the largest staged-accident scheme Arkansas has ever seen. His gang maneuvered 44 crashes that stole hundreds of thousands of dollars in collision damage claims. Some drivers drove into bridges or telephone poles then claimed they'd fallen asleep at the wheel. They used older luxury cars that were expensive to fix, officials allege. They bought one vehicle for \$1,900 but ended up with a \$14,500 damage check.


Arsonist pays for making fun of daughter in court

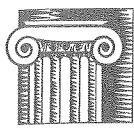
Laughing at his daughter in court may have extended Randal Licari's \$350,000 arson-for-profit sentence to 18 years. Licari and his wife Angela wrapped Duraflame logs to look like Christmas presents under their Christmas tree, then lit them and allowed the logs to erupt into a fire that ruined the couple's Bridgeport, Conn.-area home. Supportive townspeople donated gifts and other help to the seemingly stricken family. The Licaris also hauled in \$350,000 in insurance money, which they used build a larger home. At their trial, their daughter Heather testified that Randal had phoned her with updates about the fire the night the house burned down. She also claimed Randal had a gambling problem. He was convicted, and Randal laughed when the judge commented about Heather's credibility as a witness. That didn't sit well with the judge, who castigated Licari for scorning Heather and promptly handed him 18 years. Angela received five years of probation.

Hawking fake health coverage lands conman 25 years

James Graf will hope prison food is healthier than the fake health insurance he foisted on people who were desperately looking for affordable coverage. The Los Angeles-area man received 25 years in federal prison for stealing more than \$14 million in premiums from about 20,000 people. Graf left more than \$20 million in unpaid medical claims that the victims often were forced to pay from their own pockets. He formed a fake insurer called Employers Mutual LLC, playing on the credibility of a legitimate insurer with a similar-sounding name. Graf hired insurance agents to sell his worthless coverage at discounted prices, mostly to small businesses anxious for affordable health insurance. Graf promised generous benefits and easy signup. Employers Mutual was among the largest players in a rash of fake health insurers bilking consumers several years ago. The coalition broke the national story. The widespread news coverage prompted U.S. Senate hearings, a federal investigation and greater scrutiny by insurance regulators.

Marine pays ultimate price — from wife, not battle

Cynthia Sommer poisoned Marine husband Todd with arsenic to cash in on his \$250,000 life policy. She was fed up with his strict lifestyle and wanted more luxury than Todd's \$1,700 monthly salary would allow. Cynthia threw wild parties, got her breasts enlarged and had casual sex with various partners soon after Todd collapsed and died at the couple's home on the Marine base in San Diego, according to news reports. At first, officials thought he died of a heart attack. Nor did direct evidence link Cynthia to his death. But Todd had 1,020 times the normal amount of arsenic in his liver. Cynthia also met with a plastic surgeon to discuss breast enlargements just 10 days before Todd died, and before she had enough money to afford the procedure. She faces life without parole when sentenced, but says she plans to appeal. Sommer's poisoning spree also earned her a spot in the coalition's Insurance Fraud Hall of Shame (www.InsuranceFraud.org). 



Automobile cons targeted in states

Maybe it's the irritating sound of crunching fenders when cars deliberately crash for insurance schemes. Or, more likely, it's the way the auto schemes are pumping up premiums for honest drivers.

Regardless, an unusually large number of states are debating bills to derail auto scams this year. Staged-accident rings are among the biggest targets. In a growing parallel trend, bills also are trying to prevent crooks from recruiting real crash victims by denying schemers their prime recruiting tools — police accident reports.

In **Maryland**, the legislature has passed a bill making it a specific crime to stage a crash. This would make it much easier for prosecutors to land convictions. Also, only crash victims, their reps or reporters would have immediate access to police accident reports. This would stymie cons who use the reports to track down and badger real crash victims into seeking phony treatment at insurer expense.

"This will help Maryland close down fraud rings that victimize consumers around the state," the coalition's Howard Goldblatt said in earlier testimony to a key state House committee. The bill passed the House, and the outlook is promising.

Fraud fighters in **Texas** also are working to keep swindlers from getting their hands on police accident reports. A bill is being championed by the Texas Committee on Insurance Fraud. The coalition is an active member, and supported the effort in written testimony to a Senate committee.

Bills in **New York** would make it a specific crime to stage accidents, and to recruit for these rings. But the momentum, however, is only lukewarm. Same with **New Jersey**, where a measure also would make it a crime to stage accidents.

Even **Idaho** has gotten into the act, passing a bill making it a crime to hire recruiters for staged-accident rings, and to be a recruiter.

Garden-variety auto swindlers — who usually aren't hardcore criminal types — also are in the crosshairs.

In **Arizona**, the legislature has passed a bill clamping down on miscreants who dump unwanted vehicles by lying to insurers that some one stole the vehicle. Owners will have to sign an affidavit when lodging a vehicle-theft report with police. Larceny-minded owners might flinch before lying on an official police report.

In **North Carolina**, a bill would make it a crime to dodge auto premiums by lying that a vehicle is garaged in a locale where premiums are lower. A measure in **New York** requiring insurers to check more closely for such schemes has cleared the state Assembly.

Making fraud a crime?

It's back-to-basics time in **Alabama** and **Oregon**, where lawmakers are debating making insurance fraud a specific crime. These holdouts are among the last states without this basic fraud law.

But similar bills have been stonewalled in **Alabama** for years, so the outlook is murky. And **Oregon's** bill is too narrow to have any chance: It would only make bogus claims a crime. It needs broader appeal by including scams by insurers, agents and others. The coalition is working with various parties to make needed changes.

Whatever its reluctance to pass auto-fraud laws, **New York** did pass major workers comp reforms. Among other things, the new law would slap stiff penalties on businesses that avoid paying state-required comp premiums.

Meanwhile in **Maine**, the legislature is debating a bill to create the state's first fraud bureau. Only a handful of states lack a fraud bureau.

"Maine's insurance fraud law is a good base to move forward with the creation of an insurance fraud unit," the coalition's Goldblatt said in written testimony to a key legislative committee. "Information clearly shows that insurance fraud is a growing concern in the state, and that a fraud unit could help lessen the effect of fraud on the cost of insurance for Maine consumers." ☰

In Brief

California lawmakers are considering letting prosecutors freeze assets of people charged with tax swindles of more than \$100,000. The fraud angle: The Los Angeles DA is nailing insurance schemers for tax fraud, since they don't report their ill-gotten income to the state... The **Kansas** legislature has passed a bill stiffening penalties for larger-dollar schemes... A bill in **Texas** would make it easier for prosecutors to find a friendly venue for trying fraud suspects... **Nevada** is considering hiking the annual assessment on insurers to better fund the state's fraud fight. Another bill would require insurers to develop annual anti-fraud plans... **Utah** has passed a law making its fraud bureau a permanent agency. The unit was scheduled to close its doors this year... An insurer that fraudulently denies a claim in **Washington State** could face fraud charges under a bill being debated... A lawyer is suing to allow more access by outsiders to police accident reports in the **District of Columbia**... **Delaware** has passed a law targeting workers comp premium swindlers... **New Mexico** failed to enact two anti-fraud laws this year: One bill would've expanded the state's racketeering statute to include insurance fraud. The second bill would've let the state aggregate the dollar amount of false claims over a six-month period in setting fraud penalties... Nine states are looking at restricting outsider access to event data recorders (or black boxes) on vehicles. The data can help investigators detect auto schemes... The **National Association of Insurance Commissioners** will hold its summer meeting June 2-5 in San Francisco. Visit www.naic.org. The group's anti-fraud task force will review its draft auto fraud model law.

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Turning the corner: Make fraud respond to us

BY DENNIS JAY

The 21st Century marches inexorably onward, and so does insurance fraud. Public tolerance of fraud remains troublingly high. And increasingly, many swindles are run by large gangs that steal insurance money on an industrial scale, often with seeming impunity.

How can fraud fighters turn the corner against the rising sophistication of swindlers and their seemingly swelling populations?

We must no longer respond to fraud. We must make fraud respond to us. We must cast a long shadow over their crooked operations.

The coalition is helping forge a comprehensive blueprint for combating fraud. It will represent the united voice of fraud fighters throughout the U.S.

Fraud fighters have achieved much success in the last dozen or so years. Prosecutions and convictions have steadily risen. Some 47 states have made insurance fraud a specific crime, and 42 have opened up multi-line fraud bureaus. About four of every five insurers now have special investigation units. Fraud bureau staffs and budgets are growing, although still not commensurate with the severity of the fraud problem.

But are we simply keeping pace? Falling behind? Edging slightly ahead? We need

bold new strategic thrusts that decisively regain control of the streets. Among the needed initiatives:

■ **Compile more hard fraud data.** Insurance fraud is among the least-researched crimes in America. This is surprising for an industry that's so data-driven. How big is fraud? How much does fraud cost society — in stolen dollars, lost productivity and human costs? How big is "soft" fraud?

■ **Streamline and better share data.** Property-casualty insurers are working to improve the volume and quality of data for investigations. Should this effort include health insurers and government? What other directions should this effort take?

■ **Increase involvement in legislation.** Fraud fighters must become stronger legislative advocates to help pass strong laws. More research also is needed: How effective are current fraud laws? Where are the gaps? Two potential initiatives: Consider creating a unified national legislative agenda each year, and provide training in legislative advocacy.

■ **Improve anti-fraud training.** Turning the corner on fraud will require a street-level force with state-of-the-art training. Should there be uniform training standards? How do we update training as fraud

evolves and fraud-fighting techniques advance? How can more insurers be encouraged to support enhanced training?


■ **Better integrate claims processing.** Most fraud is uncovered during claims processing. But insurers need to more closely align their claims operations with their SIUs. How can insurers improve fraud training for claims staff? Do insurers have enough claims handlers? Should benchmarks be created for fraud detection?

■ **Explore a national outreach campaign.** Collectively, our public-outreach efforts are fragmented and lack true science. Fraud fighters are exploring a unified national outreach campaign that will work to turn public attitudes decisively against this crime.

■ **Widen the sharing of field intel.** Property-casualty fraud fighters are broadening intelligence-sharing. This includes working to involve healthcare and other lines of insurance. This circle also should include state and federal agencies that battle many of the same schemes.

■ **Change with a changing population.** Newcomers from Hispanic and Asian nations are major population groups in the U.S. Generations X & Y are coming of age. Boomers are becoming seniors. Our anti-fraud strategies must consider their diverse behaviors, values, attitudes, languages and cultures.

■ **Develop anti-fraud leaders.** Fraud fighters must build a larger core of leaders and change-makers. How do we identify potential leaders? What leadership skills will they need? We must consider creating a national leadership program.

Fraud fighters must widen our shared mission. This will require bigger, bolder and better thinking than ever. It also will require great resolve, and a unified front. The coalition invites fraud fighters everywhere to join in this exciting step into the future. 

Dennis Jay is Executive Director of the Coalition Against Insurance Fraud.