

ARKANSAS INSURANCE DEPARTMENT

INSURANCE FRAUD NEWSLETTER

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Mike Huckabee
Governor



Mike Pickens
Insurance Commissioner

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MESSAGE FROM THE DIRECTOR

Fraud Awareness! ! !

On October 14 through 16, 2002, state insurance fraud directors and their senior staff from across the country will be meeting in Little Rock for their 2002 Annual Insurance Fraud Directors' Conference. In conjunction with the event, Governor Mike Huckabee has proclaimed Tuesday, October 15th as "Insurance Fraud Awareness Day".

One of the issues that will inevitably be discussed at the conference is what our agencies can do to more effectively stem the continuing high tide of fraudulent claims while also dealing with criminal activity perpetrated by those *inside* the industry, such as agent theft and internal corporate embezzlement. The scope of investigative responsibilities that state insurance fraud agencies are faced with is on the verge of overwhelming the resources at hand.

In the context of combating insurance fraud, the second largest economic crime after tax evasion, deterrence through awareness of its impact is the most important tool. It is estimated that 80% of insurance claims fraud (perhaps as much as \$85 **billion** per year) is categorized as "soft" fraud. "Soft fraud" is claims fraud committed by ordinary citizens, not otherwise prone to committing any other kind of crime, who rationalize a justification in making a false or inflated claim.

Cooperation and participation by the public as well as those in the industry must be

increased in order to meet the mounting challenge. The public must be made aware that its silence when it becomes aware of a neighbor or co-worker committing insurance fraud is costing them directly in the pocket-book. Successful prosecutions that are well publicized will inform the public at large that there are serious consequences for those who think this is a game that can be played without a loser.

If you are reading this newsletter, **YOU** should be active in deterring insurance fraud by being aware of its impact and spreading the word to personal and business associates. To paraphrase Smokey the Bear, "Only you can prevent insurance fraud."

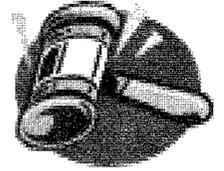
Martin J. Nevria

On the Horizon

Insurers and producers should be aware that in October the Treasury Department will be promulgating regulations on money laundering that will directly affect how they do business.

To remove your name from our mailing list, contact Evelyn Brown at 501-371-2790
 Check our website at: [http:// www.accessarkansas.org/insurance/](http://www.accessarkansas.org/insurance/)
 Our toll-free hotline is 1-866-660-0888

SPOTLIGHT ON FRAUD



Charges Filed in Arkansas Against Frankel Cohorts

State Insurance Commissioner Mike Pickens and Pulaski County Prosecuting Attorney Larry Jegley announced that charges have been filed against three individuals suspected of participating in the Martin Frankel embezzlement scheme, a case touted as possibly the largest insurance fraud investigation in America. The charges stem from an illegal transfer of \$5.285 million from the Old Southwest Insurance Company in Jacksonville, Arkansas, leading to the ultimate collapse of that company.

Felony charges have been filed against Tennessee residents Gary Antip, Billy D. Williams, and Wade A. Willis, all officers of Tennessee-based Franklin American Life Insurance Company, the parent company of Old Southwest. Antip, Williams, and Willis are accused of having transferred Old Southwest funds without the permission of the Arkansas Insurance Commissioner, a violation of Arkansas Insurance Code Sec. 23-69-134.

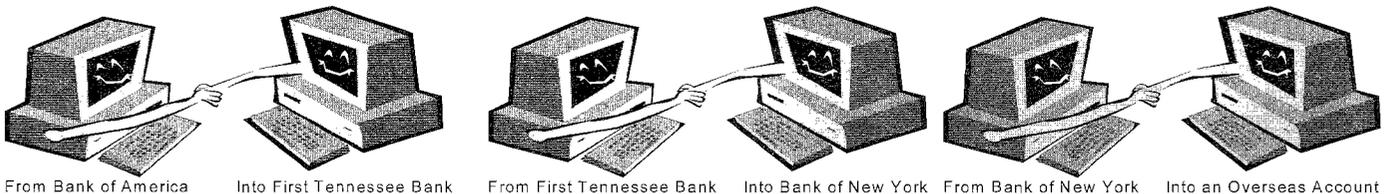
Charges against the Tennessee residents are part of the investigation of a scheme hatched by financier and former international fugitive Martin Frankel, which resulted in the loss of an estimated \$200 million from a number of insurance

companies in the south.

“This investigation and the resulting charges are a small part of a larger effort by federal authorities to bring the perpetrators to justice,” said Marty Nevrla, Director of the Insurance Fraud Investigation Division. “Ongoing efforts are being made in Arkansas and other affected states to recoup funds lost by this massive case of embezzlement.”

If convicted, the charges filed in this case carry a maximum term of five years imprisonment, and a maximum fine of \$10,000. The Court may also order restitution of the proceeds in question.

“It was effective state-level regulation of insurance which caused the clandestine acts of Martin Frankel to be uncovered”, Insurance Commissioner Mike Pickens said. “The power of a state-level regulator to ensure the solvency of domestic insurers, thereby protecting the interest of insurance consumers is vital to insurance consumers in Arkansas and throughout this country. I am pleased with the efforts of our Fraud Investigation Division. Our message is clear. We will not tolerate insurance fraud on any level in the State of Arkansas.”



From Bank of America Into First Tennessee Bank From First Tennessee Bank Into Bank of New York From Bank of New York Into an Overseas Account

CRIMINAL CONVICTIONS

The darkest hour of a man's life is when he sits down to plan how to get money without earning it.-- Horace Greeley

O.V. DAVIS, Jefferson County. Subject knowingly made false statements during an examination under oath. Subject misrepresented his physical condition and activities for the purpose of continuing or increasing his workers' compensation benefits. Entered a negotiated plea of guilty to charges of workers' compensation fraud (Class D felony), perjury (Class C felony), forgery 2 (Class C Felony), and theft of property (Class B Felony) and received 60 months imprisonment, \$750.00 fine, payment of court cost, 120 hours of community service and restitution of \$7,450.00.

RICK HAMPTON, Craighead County. Subject worked as a maintenance worker. While mowing the lawn on a riding mower, he drove over a hole causing the mower to jerk. As a result, he claimed he injured his back. Subject knowingly and with intent to defraud, altered several release to return to work statements from his physician in order to receive TTD benefits. Pleaded guilty to a reduced charge of theft of property (Class A misdemeanor) and received an \$500.00 fine, payment of court costs and restitution of \$449.88.

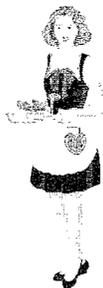


JOHN ARMSTRONG, Poinsett County. Subject reported injuries to his arms, neck and back, stemming from a motor vehicle accident while on the job. Subject knowingly and with intent to defraud misrepresented his physical condition and activities for the purpose of continuing or increasing his workers' compensation benefits. Video surveillance showed the subject driving around town, performing numerous physical tasks such as aggressively detailing not only a pickup truck, but a semi tractor-trailer. Pleaded guilty to a reduced count of criminal attempt to commit insurance fraud (Class A Misdemeanor) and received 1 year suspended imposition of sentence, \$100.00 fine and payment of court costs.



ELLEN SETTLE, Garland County. As an agent for Hot Springs Funeral Home, subject knowingly issued pre-need burial insurance policies for individuals without their authorization. Subject submitted money orders listing applicants as the remitters and received advanced commissions based on the dollar amount of the insurance contracts. Entered a negotiated plea of guilty to charges of theft of property (Class B Felony) and received \$500.00 fine, payment of court costs and restitution to be determined (up to \$2,605.83).

ANGELA JOSHLYN, Monroe County. Subject knowingly made false statements when she filled out a claims status questionnaire in which she denied that she had received any wages since her injury. Subject stated that she had not returned to regular full time work, had not returned to light or modified duty work and was not self employed at the time she was receiving TTD payments. Video surveillance showed the subject clearing tables and serving pie in her husband's restaurant. Subject misrepresented her physical condition and activities for the purpose of continuing her workers' compensation benefits. Pleaded guilty to a reduced charge of attempted workers' compensation fraud (Class A misdemeanor) and received 12 months unsupervised probation, payment of court cost, and restitution of \$798.00.

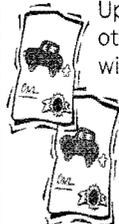


KATINA HARPER, Pulaski County. Subject knowingly submitted a letter to Farm Bureau Insurance which purported to be from her employer. Subject's letter contained false information concerning her days missed from work due to an accident and an inflated estimate of her salary. Entered a plea of guilty to insurance fraud (Class D felony) and received 3 years probation, with two years supervised, \$500.00 fine, payment of court costs and 50 hours of community service.

ROY JAMES, Pulaski County. Subject knowingly and with intent to defraud, sold insurance policies to various consumers and accepted payment for insurance policies he did not obtain. Entered a plea to the court of guilty to theft of property (Class C Felony) and received 60 months probation and restitution of \$10,115.00.



CLARENCE WILEY, Arkansas County. Subject reported that his vehicle was vandalized and made false statements to Progressive Insurance regarding other policies on his vehicle. Upon investigation, subject admitted he had another policy on the vehicle and had filed a claim with both insurance companies. Entered a plea of guilty to insurance fraud (Class D felony) and received 3 years probation (with mandatory drug screening), \$350.00 fine, and payment of court costs.





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CRIMINAL CONVICTIONS (CONT'D)

KATHY MARIE SCHLUTERMAN, Logan County. Subject pleaded guilty in U.S. District Court to one count of mail fraud for her participation in a commission generating scheme involving the issuance of hundreds of false small life policies. Subject was sentenced to three years probation, was ordered to pay \$50,449.18 in restitution and was required to cooperate in the continuing investigation of the scheme.



CHARLES WRIGHT, SR., Faulkner County. Subject pleaded guilty in U.S. District Court to one count of mail fraud for his participation in a commission generating involving the issuance of hundred of false small life policies. Subject was sentenced to three years probation, including eight months of home detention, was ordered to pay a \$3,000 fine, restitution of \$8,267.46 and was required to cooperate in the continuing investigation of the scheme.

JOHNNY FOWLKES, Lonoke County. Subject pleaded guilty in U.S. District Court to one count of mail fraud for his participation in a commission generating scheme involving the issuance of hundreds of false small life policies. Subject was sentenced to three years probation, including 3 months of home detention, was ordered to pay a \$3,000 fine, restitution of \$8,267.46 and was required to cooperate in the continuing investigation of the scheme.



MEET OUR NEW INVESTIGATORS

JACQUIE HARPER joined the Division in February 2002. She is a twenty-year veteran of the Jacksonville Police Department and the Arkansas State Police. During that time she worked in the patrol division and CID.

CURTIS BRIGGS will join the Division in August 2002. He is a twenty-seven year veteran with the Little Rock Police Department. During that time he worked in the patrol, vice, detective, SWAT, motor cycle and training divisions. He will be working in the Workers' Compensation Fraud Investigation Unit.

5th Annual Insurance Fraud Directors' Conference To Be Held In Little Rock, Arkansas

The Arkansas Insurance Fraud Investigation Division will host The 5th Annual Insurance Fraud Directors' Conference on October 14-16, 2002. The conference will be attended by insurance fraud directors and their senior staff from across the country and will address issues of mutual concern among the states in combating insurance fraud.

In conjunction with the event, Governor Mike Huckabee has proclaimed Tuesday, October 16, 2002, as "Insurance Fraud Awareness Day".

