

INSURANCE FRAUD NEWSLETTER

Volume 12

2003
Review

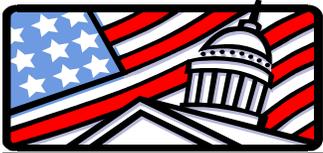
Mike Huckabee
Governor



Mike Pickens
Insurance Commissioner

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**Insurance Fraud
Investigation Division**

- | | |
|---------------------|---------------------|
| Martin J. Nevrla | Director |
| S. D. Roff | Assistant Director |
| Raymond Boyles | Staff Attorney |
| Greg Sink | Staff Attorney |
| Bill Bryan | Investigator |
| Patrick O'Kelley | Investigator |
| Jacque Harper | Investigator |
| Monty Vickers | Investigator |
| Brian White | Investigator |
| Ken Wilder | Investigator |
| Curtis Briggs | Investigator |
| Shirley Pegg | Fiscal/Support Mgr. |
| Evelyn Brown | Admin. Assistant |
| Faith Chamberlain | Case Mgmt. Analyst |
| MaChelle Scarbrough | Admin. Assistant |

MESSAGE FROM THE DIRECTOR

**ANTIFRAUD EFFORT MARKS ITS 10TH
ANNIVERSARY**

On October 4, 2003, the insurance antifraud effort in Arkansas marked its 10th anniversary. On that date, I was fortunate enough to be tapped by then Insurance Commissioner Lee Douglass to start the first ever insurance antifraud agency in Arkansas – the Workers’ Compensation Fraud Investigation Unit (WCFIU). As many of you will remember, the workers’ compensation system in Arkansas was in crisis on many fronts. Act 796 of 1993 was passed to address the crisis and two of its main components were the strengthening of the laws on workers’ comp fraud (making it a felony for employees, employers or providers to commit fraud) and creating the WCFIU.

There was more than one critic (and even friends) who believed the WCFIU unit would not be successful in the political climate and economic realities of the times. There were times when we wondered about that ourselves. We had very humble beginnings. For six months I had a small office behind the fax machine and my Chief Investigator and Chief Counsel were scattered around the

building. Assistant Director Dave Roff was the first person hired and has been an indispensable leader and administrator who deserves much of the credit for our navigating the choppy waters we’ve encountered over the years. Julie Benafield Bowman (current CEO of the Workers’ Compensation Commission) was our first Chief Counsel and Special Deputy Prosecutor. There were no in-state resources from which to draw and few other states had gotten into the workers’ comp antifraud business. We had to make things up as we went along. Many law enforcement agencies, prosecutors and even judges were skeptical of our mission. We admittedly despaired when we lost our first employee fraud trial (a good injury outside the workplace case) when the judge dismissed the charges because we couldn’t prove he didn’t get injured while nobody was watching and “besides, I’ve had a bad back, too.” We picked ourselves up, determined to learn an important lesson, and went to work that much harder educating prosecutors and judges and putting together airtight cases against cheating employers and employees alike. The payoff has been a *(continued on page 5)*

- To remove your name from our mailing list, contact MaChelle Scarbrough 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



ANNUAL SUMMARY OF NAIC ANTIFRAUD TASK FORCE ACTIVITY

[As a new feature , the Annual Insurance Fraud Newsletter will give a summary of the work of the Antifraud Task Force of the National Association of Insurance Commissioners (NAIC) which is chaired by the State of Arkansas]

The mission of the NAIC Antifraud Task Force (“AFTF”) is to serve the public interest by assisting state insurance supervisory officials in their antifraud activities. The AFTF works through five Working Groups and one Subgroup and meets at the quarterly National NAIC meetings. It also meets by teleconferencing and interim meetings designed to address specific issues of interest. Highlights of the 2003 efforts of the AFTF include:

The External/Claims Fraud Working Group approved and published a *Uniform Suspected Insurance Fraud Reporting Form* and accompanying *Directions for the Uniform Suspected Insurance Fraud Reporting Form*. This working group is also working to update the NAIC publication *State Insurance Department Anti-fraud Resources* which will be published this spring.

The Database Working Group is studying and implementing an *Information Sharing Pilot Project* which will attempt to allow states to directly access each other’s fraud databases. Also in development is a state insurance fraud bureau web page on the FBI’s LEO (Law Enforcement On-line) System.

The Producer, Company and Unauthorized Entities Unlawful Activity Working Group is addressing the growing problem of unauthorized insurers in both the health care and property and casualty lines. The Working Group has developed an e-mail distribution list to be used as an early warning system to improve communication among state fraud bureaus on unauthorized activity in the property and casualty area. An NAIC sponsored system on unauthorized health insurers had already been established. Both systems are expected to facilitate a more rapid response to the continuing and costly problem of bogus insurance companies. Additionally, the *Unauthorized Entities Manual* is being reviewed and updated to reflect current trends.

The NAIC/NASAA (North American Securities Administrators Association) Enforcement Coordination Subgroup announced progress on several initiatives to stem the activity of insurance agents who engage in unlawful securities sales. A *Handbook For Collaborative Enforcement Against Securities Fraud Perpetrated by Insurance Agents* is being drafted and a joint NASAA/NAIC regulator training program will be held on May 6 and 7, 2004. Both efforts are aimed at increasing mutual understanding of each sectors regulatory and enforcement process.

The Federal/State Coordinating Working Group is continuing its efforts at working with federal law enforcement authorities in regard to fraudulent insurance related activity and enforcement of 18 U.S.C. 1033, a federal statute which prohibits individuals from engaging in the business of insurance in any capacity if they have been convicted of a felony involving dishonesty or breach of trust.

The Training and Seminars Working Group is considering developing an on-line training program for state fraud bureaus and is continuing its efforts to provide relevant antifraud training for both regulators and industry personnel.

More information on the work of the AFTF is available at the NAIC website at www.naic.org.

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

CARLA BALDWIN, Chicot County. Subject knowingly tried to get her vehicle registered by providing the State Revenue Department with a proof of insurance card that she generated on her home computer. Pled guilty to forgery 2nd (class C felony) and was sentenced to three years probation and \$150.00 in court costs.



REGINALD DUPREE, Pulaski County. Subject knowingly falsified receipts and submitted them in support of his claim for the replacement of aftermarket wheels and tires he alleged were taken from his vehicle when it was "stolen" on two different occasions. Entered a negotiated plea of guilty to one count of theft (class B felony) and one count of fraudulent insurance acts (class D felony). Subject received three years probation, \$500.00 fine plus court costs and was ordered to pay restitution in the amount of \$3,436.58.



RON BERNER, Crawford County. Subject fabricated a claim that a truck ran him off the road. Entered a negotiated plea of guilty to insurance fraud (class D felony) and received a thirty-six month suspended sentence, \$150.00 in court costs, and a \$500.00 fine.



DANIEL BONE, Pulaski County. Subject knowingly forged a receipt indicating the purchase of tires and wheels. He then submitted the alleged receipt to the insurance company in support of his claim for damages to his vehicle resulting from a theft. Entered a negotiated plea of guilty to fraudulent insurance acts and received three years supervised probation, court costs, 40 hours community service, DNA sampling under Act 737 and payment of a \$250.00 fee for the DNA testing.



JENNIFER HEAD, Faulkner County. As an agent, subject altered a receipt for payment of insurance. The alteration gave the appearance that a policyholder had insurance on his vehicle prior to an accident. Entered a negotiated plea of guilty to falsifying business records (class A misdemeanor) and was sentenced to one year probation, \$100.00 fine, Act 346 and \$100.00 in court costs.



RANDAL CROSSLAND, Saline County. As an agent, subject received client insurance premiums but did not deposit them into the insurance company's premium accounts. Pled guilty to fiduciary duties of licensees and sentenced pursuant to the theft of property statute (class B felony) and was sentenced to five years probation, \$500.00 fine, 25 hours of community service and ordered to pay restitution in the amount of \$14,679.96.



BOBBY HOWARD, Sevier County. Subject provided false information to his insurance carrier concerning the circumstances under which his vehicle was burned. Subject entered a negotiated plea of guilty to fraudulent insurance acts (class D felony) and was sentenced to 48 months in the Arkansas Department of Corrections, \$3,830.00 in restitution, and \$600.00 in court costs. As part of his negotiated plea, subject entered guilty pleas to violations of sexual assault in the second degree (class B felony) and theft by receiving (class C felony). Subject was sentenced to 120 months in the Department of Corrections on both counts. Subject was sentenced as a sex or child offender and ordered to complete the sex offender registration.



EMILY DUNN, Saline County. Subject knowingly filed a false automotive theft claim. Entered a negotiated plea of guilty to one count of fraudulent insurance acts (class D felony) and was sentenced to 48 months probation conditioned on payment of a \$500.00 fine, \$150.00 in court costs and restitution in the amount of \$12,719.16.



RENA WATSON, Pulaski County. Subject claimed to have been a passenger in a vehicle involved in an accident and to have received injuries in the accident. Interviews with the driver and passengers of the vehicle revealed that the subject was not a passenger but was a witness to the accident. Entered a negotiated plea of guilty to attempted insurance fraud (class A misdemeanor) and was sentenced to one year probation, \$500.00 fine and 20 hours community service.



CRIMINAL CONVICTIONS

(CONTINUED FROM PAGE 3)

MARCUS MURPHY, Pulaski County. Subject knowingly altered a receipt he submitted to his insurance carrier in order to increase the amount claimed by \$600.00. The insurance carrier noticed the discrepancy before paying the claim so there was no restitution. Entered a negotiated plea of no contest to Fraudulent Insurance Acts (class D felony) and received three years probation and \$100.00 fine with court costs.



THOMAS VAN TERRELL, Poinsett County. Subject obtained insurance on his motorcycle after it was destroyed in a fire. A couple of weeks after obtaining insurance, subject's shop at his residence caught on fire. Subject made a claim by stating that the motorcycle was destroyed in the fire at his shop. A neighbor who saw when the motorcycle burned came forward and told the truth. Entered a negotiated plea of guilty to insurance fraud (class D felony) and received a three year suspended sentence, ten hours of community service, \$200.00 in court costs, \$500.00 in restitution and expungement.



DEWAYNE DEFOURE, White County. Subject filed a claim for items inside his vehicle, which was stolen. A search warrant executed upon his residence produced all of the items subject claimed were stolen. Entered a no contest plea to insurance fraud and was sentenced to 18 months in the AR Dept. of Corrections.

JENNIFER STAGG, Pulaski County. Subject knowingly purchased automobile insurance after being involved in a motor vehicle accident. Subject also falsified the date of the accident on the insurance claim. Entered a negotiated plea of guilty to the attempted crime of theft by deception (class C felony) and was sentenced to three years probation, \$250.00 fine plus court costs, thirty hours of community service and restitution in the amount of \$3,891.86. Upon completion of her probation, subject will be eligible for Act 346.



ALICIA AND STANLEY BROWN, Pulaski County. Subjects knowingly submitted a receipt for aftermarket tires/wheels, which were not installed, in an attempt to increase the amount of their claim. Pleaded guilty to attempted insurance fraud (class A misdemeanor). Both were sentenced to one year probation, \$500.00 fine and court costs, expungement pursuant to Act 531.

TINA GENTRY, Saline County. Subject knowingly falsified mileage reports by submitting reports for trips she never made to therapy. On some trips subject would just log into the facility then leave without attending therapy. Entered a negotiated plea of guilty to theft of property (class A misdemeanor). Subject paid \$3,124.00 in restitution, was ordered to pay a \$250.00 fine and \$250.00 in court costs.



NEAL WADE, Franklin County. Subject accepted a premium payment and diverted the premium to his own use. Subject then set the insurance policy on a payment plan with the billing directed to his office and began making monthly payments. The policy was not cancelled and the remaining premium monies were forwarded once the Insurance Department began its investigation. Entered a negotiated plea of guilty to a reduced charge of attempted theft of property/violation of fiduciary duties of licensees (class A misdemeanor). Subject received \$1,000.00 fine, \$150.00 in court costs, fifty hours of community service, surrender of his insurance license to the Arkansas Insurance Department with the agreement that he will never practice the business of insurance in Arkansas again and one year probation.

DEREK GUNN, Pulaski County. Subject fraudulently falsified an insurance application for a person who had no knowledge of the application being filed. Subject did so to obtain commission on a pre-need policy. Pleaded guilty to one count of theft of property with a value of \$500.00 or less (class A misdemeanor) and was sentenced to one year supervised probation, \$250.00 fine, court costs, payment of \$446.25 to insurance company and 20 hours community service.

GARY ATNIP, Pulaski County. Subject transferred reserve assets of newly acquired insurance companies into accounts located outside the U.S. The funds were subsequently transferred by international wire into an account in Luxembourg. Pleaded guilty to violating the maintenance of home office and records (class D felony). Subject was sentenced to 12 months in the AR Dept. of Corrections, time to run concurrent to his federal sentence. Subject was ordered to pay \$205,000,000.00 in restitution and is expected to receive a 10 to 15 year federal prison sentence.

MESSAGE FROM THE DIRECTOR

(CONT'D FROM PAGE 1)

97% successful conviction rate over the past 10 years.

In 1997, the early success of the WCFIU resulted in the passage of a bill that created the Insurance Fraud Investigation Division, which ultimately incorporated the WCFIU within its structure. The Division became responsible for conducting criminal investigations of all categories of insurance fraud. Within several years it became evident that the Division's investigators were now dealing with suspects with extensive criminal records involving violence and drug activity. In 2001, the Division obtained law enforcement status which authorized investigators (all with prior conventional law enforcement experience) to carry firearms for self-protection and for the serving of arrest and search and seizure warrants. It marked a significant milestone in our antifraud efforts. With the tools now in hand, the Division staff has continued a reputation of competence, efficiency and forward thinking. Our impact on the national scene is reflected in our participation as chair of the Antifraud Task Force of the National Association of Insurance Commissioners. (See article on page 2).

Although no government agency can make all its constituents (consumers or insurers in the Division's case) happy all the time, I believe we have shown an impartial dedication to rooting out insurance crimes no matter where we find it, including within the insurance industry itself. A significant key to our success in remaining an impartial agency has been the unqualified and politically nonpartisan support of the two insurance commissioners under whom we've served during the past ten years, Lee Douglass and Mike Pickens.

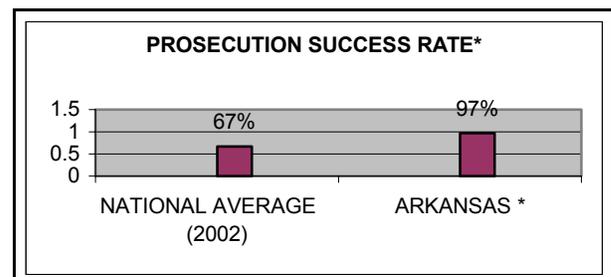
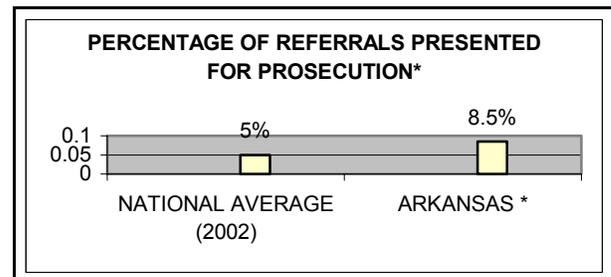
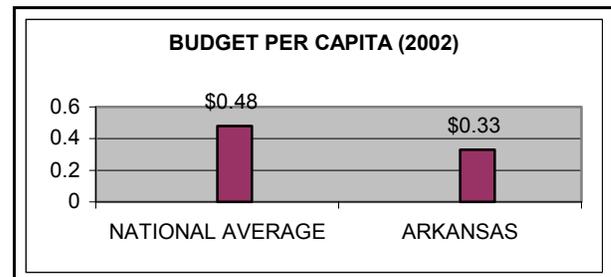
The future of the Division is promising and challenging. Technological advances allow us to access more information, more quickly; however, it is still the investigator getting out in the field who makes the difference in a successful case. Joint investigations with the FBI, U.S. Postal Inspection Service and other federal and state law enforcement agencies are becoming increasingly important in this age of mobility and electronic communications; the scamsters are capable of using technology to their advantage as well. Increased cooperation between industry and

government and emphasizing deterrence through publicity on fraud cases will be the most effective tools to combat a problem which still suffers from almost epidemic proportions.

To those who have supported our efforts, we express our appreciation and commitment to continued progress. To those who may still question our mission, we invite your comments and questions.

Martin J. Nevrla

NOTEWORTHY STATISTICS



*Arkansas has maintained these rates for 10 years.



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MEET OUR NEW STAFF MEMBERS

MACHELLE SCARBROUGH joined the Division in March 2004 as an Administrative Assistant. MaChelle owned and managed her own business before joining the Division.
CANDI MATLOCK joined the Division in October 2003 as the Department Receptionist.

Congratulations are in order for **FAITH CHAMBERLAIN**, former Administrative Assistant for the Division. Because of attention to detail coupled with her unique abilities, Ms. Chamberlain was promoted to the Division's Case Management Analyst in December. Congratulations Faith, well done.

CRIMINAL CONVICTIONS (CONT'D FROM PAGE 4)

LADONNA WALTON, Pulaski County. Subject altered invoices by increasing the actual cost of repairs for storm damage then submitted the invoices to her insurance company. Entered a negotiated plea of guilty to theft of property by deception (class B felony) and insurance fraud (class D felony). Subject was sentenced to 20 years in the Arkansas Department of Corrections.

JACK SWAILS, Union County. As an agent, subject allowed Mary Harvey to complete an application for life insurance on her granddaughter after her granddaughter was reported missing to local authorities. Subject allowed Mary Harvey to list herself as the beneficiary and to sign her granddaughter's name as the applicant. Entered a negotiated plea of guilty to false business records (class A misdemeanor). Subject was ordered to pay \$16,486.37 in restitution and \$150.00 in court costs.

MARY HARVEY, Union County. Subject completed an application for life insurance on her granddaughter, signed her granddaughter's name as the applicant and made herself the beneficiary of the policy after her granddaughter was reported missing to local authorities. Shortly thereafter, her granddaughter's body was recovered by authorities and subject filed a claim to collect the life insurance proceeds. Entered a negotiated plea of guilty to committing a fraudulent insurance act (class D felony) and theft of property by deception and was sentenced to 36 months probation, \$150.00 court costs and \$16,486.37 in restitution.

MARVIN FLETCHER, Pulaski County. Subject did fence work as a subcontractor. When asked for a copy of his certificate of insurance, subject created a false insurance certificate. Entered a negotiated plea of guilty to a misdemeanor charge of attempted insurance fraud. Subject was sentenced to one year probation, \$707.00 restitution, 60 hours community service, and court costs.