

# INSURANCE FRAUD NEWSLETTER

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*Mike Huckabee*  
Governor



*Mike Pickens*  
Insurance Commissioner

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## MESSAGE FROM THE DIRECTOR

The Insurance Fraud Investigation Division successfully attained its certified law enforcement status on March 12, 2001, when Governor Huckabee signed Act 743 into law. The legislation passed both the House and Senate without a single negative vote (although it took two tries in the Senate due to some communication problems.)

The points in favor of law enforcement status were thoroughly outlined in the last edition of the Insurance Fraud Newsletter. Those points carried the day as both insurance industry and law enforcement representatives spoke on behalf of the bill. Special thanks goes to Representative Bob Adams of Sheridan, the sponsor of the bill, and Senator Percy Malone of Arkadelphia and Senator Mike Beebe of Searcy for their efforts in the Senate.

Division investigators, all former law enforcement officers, will gain an appreciable degree of safety in carrying out their duties, and suspects will be brought more swiftly into the judicial process.

We look forward to utilizing our Division's law enforcement status to better serve the people of Arkansas.

*Martin J. Nevrla*



### On the Horizon

- Federal legislation authorizing disciplinary and enforcement information sharing among federal and state regulators of banking, insurance and securities
- State insurance regulator access to the FBI's national fingerprint data base for licensing and enforcement of prohibited person provisions of 18 U.S.C. 1033, 1034 and Arkansas Code Ann. 23-66-502
- Insurance e-commerce is still in it's early stages. Insurance regulators and industry representatives are working to avoid the e-commerce theft and fraud that has plagued other financial services industries

For more information, contact Director Marty Nevrla

### **FRAUD REFERRAL UPDATE**

- To remove your name from our mailing list, contact L. G. Sanders at 501-371-2790
- Check our website at: [http://www.accessarkansas.org/insurance/fraudinvestigation/insurancefraud\\_p1.html](http://www.accessarkansas.org/insurance/fraudinvestigation/insurancefraud_p1.html)
- Our toll-free hotline is 1-866-660-0888

# SPOTLIGHT ON FRAUD



## 70-Year Prison Sentence Given to Staged Auto Collision Ring Leader

On April 11, 2001, David Gipson, the touted leader of a staged auto collision ring which had operated primarily in the northwest Arkansas area, was given a 70 year prison term by a Sebastian County Judge. The conviction stemmed from the work of "Operation Sudden Brake," an investigation conducted by the Insurance Fraud Investigation Division, the Ft. Smith Police Department and the Federal Bureau of Investigation (FBI).



The jury found David Gipson, 29, of Van Buren County, guilty of 10 felony and three misdemeanor charges, including six counts of insurance fraud, four counts of theft, and three counts of endangering a minor. The jury recommended that David Gipson serve consecutive sentences for his crimes and Circuit Court Judge Michael Fitzhugh accepted and imposed the 70-year prison term.

"We are very pleased to see justice rendered in this case," Insurance Commissioner Mike Pickens said. "Most people don't realize that the ultimate result of insurance fraud is higher premiums for consumers. We will work very hard to prosecute fraud for the benefit of all consumers."

In April 2000, 11 individuals, including David's twin brother Danny Gipson and other family members, were arrested as a result of 77 charges stemming from the Operation Sudden Brake investigation. According to investigators involved with the case, children as young as seven years old, whose parents planned and staged the collisions, participated as passengers in some of the vehicles.



The collisions, using the "swoop and squat" technique, were staged with the intent of receiving quick settlements from insurance companies. The more individuals purported to be injured in the incident, the higher the settlement could become. Consequently, the car causing the collision often contained as many as six people.

The nine other individuals (identified on page 3) charged as part of the staged auto collision ring have pled guilty to various charges, have agreed to testify against the Gipson brothers, and are in the process of having sentencing scheduled. David Gipson's brother, Danny, is scheduled to be tried later this year.



# 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

**TRAVIS LEE WHITE**, Perry County. Subject reported several items stolen in a burglary, including five handguns and two rings. Upon investigation, it was discovered that the two rings were in the possession of his estranged wife and that the letter he submitted from the individual who allegedly sold White the firearms was a forgery. Pled guilty to one count of insurance fraud (Class D felony) and received 3 years probation, \$200.00 fine and payment of court costs.



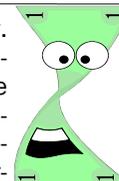
**DEANNE HOOKER-SCROGGINS**, Perry County. Subject provided false personal information and identified an inaccurate number of past insurance claims on her application for homeowners' insurance. Subject's application was accepted and a homeowner's policy was issued. As a result of the misrepresentation, the insurer was denied the opportunity to accurately allocate the risk(s) involved in issuing the insurance. Pled guilty to two counts of attempted insurance fraud (Class A misdemeanors) and received 1 year probation, \$250.00 fine, payment of court costs.

**KERRI WILLIAMS**, Lincoln County. Subject knowingly caused false insurance claims to be submitted to an insurance carrier on her behalf. Subject fraudulently stated to her medical providers that her injuries resulted from a motor vehicle accident in which she was the passenger. Subject was not a passenger in the vehicle. Entered negotiated guilty plea to a reduced charge of attempted insurance fraud (Class A misdemeanor) and received 12 months probation, \$250.00 fine and payment of court costs.

**ERIC WADE DIXON**, Sebastian County. Subject Eric Dixon knowingly, and with the intent to defraud State Farm Insurance, made false statements concerning a claim for theft of his motorcycle. Dixon obtained insurance coverage from State Farm on his motorcycle after he discovered that the motorcycle had been stolen. Entered a plea of guilty to insurance fraud (Class D felony) and received 2 years suspended imposition of sentence, \$250.00 fine, and payment of court costs.



**DUANE AND DENISE CARTER**, Boone County. Subjects were insurance agents for Shelter Insurance and ran the Duane Carter Insurance Agency. The subjects misappropriated approximately \$10,000.00 in premium payments received from various insureds and did not forward the payments to Shelter. Each subject pleaded guilty to theft of property (Class B felony) and each received 2 years probation, 50 hours of community service, surrender of their insurance license, \$700.00 fine, payment of court costs, and restitution of \$4224.58.



**KEVIN KANATZAR**, Boone County. Subject allegedly injured his knee while performing his job duties. He stated that he had not suffered any previous medical problems with his knee. A review of medical records showed that he had received treatment for his knee in emergency room visits less than a month prior to the date of his alleged injury at work. Entered a negotiated plea of guilty to workers compensation fraud (Class D felony) and received 3 years suspended imposition of sentence, \$500.00 fine, payment of court costs.

**JOSEPH WILLIS**, Clark County. Subject was an insured passenger in his mother's vehicle that was totaled in a car wreck. USAA paid the lienholder of the vehicle pursuant to the insurance policy. When Willis got out of the hospital, he reported that while the vehicle was in storage, the tire rims, stereo and speakers were stolen. Willis submitted a \$5,469.43 estimate to USAA to replace the stereo. During the investigation, it was discovered Willis and his girlfriend went to the storage facility and took the items from the vehicle and then reported them as stolen. Pled guilty to two counts of forgery (Class C felony) and one count of insurance fraud (Class D felony) and received 5 years probation, payment of court costs, and restitution of \$424.12.



**DAVID GIPSON**, Van Buren County. (See related story on page two) Also convicted as part of the staged auto collision ring were **MELISSA GIPSON, DEBRA GIPSON, SYRETH GIPSON, JAERIL FIELDING AND M. THORNTON, SR.** Subjects have pled guilty to various charges have agreed to testify against the Gipson brothers. Subjects will be sentenced later this year after the trial of Danny Gipson.



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## FBI EXTENDS APPRECIATION

## LEGISLATIVE HIGHLIGHTS



**Marty Nevrla, Director**



**Dave Roff, Assistant Director**



**Clay Simpson, Chief Counsel**

On May 8, FBI Special Agent in Charge (Little Rock Division) Edward J. Kraus awarded Certificates of Appreciation signed by FBI Director Louis J. Freeh to Fraud Investigation Division Director Marty Nevrla, Assistant Director Dave Roff and Chief Counsel Clay Simpson for their efforts in Operation Sudden Brake (see page 2). The joint operation, which included the Ft. Smith Police Department as well as several other law enforcement agencies and insurance company special investigation units in Arkansas and Oklahoma, has helped forge a strong cooperative effort between the FBI and the Fraud Investigation Division to combat insurance fraud in Arkansas. "We need the personnel resources and technical support of top notch law enforcement agencies like the FBI and the Ft. Smith Police Department if we are to effectively do our job. What we bring to these other agencies is the specialized knowledge and experience we have gained in insurance related criminal activity. We look forward to a long and fruitful relationship," said Director Marty Nevrla at the award presentation.



- Act 743 authorized investigators for the Insurance Fraud Investigation Division and its Workers' Compensation Fraud Investigation Unit to be certified as law enforcement officers
- Insurance Fraud Investigation Division expanded by 2 criminal investigators
- Implementation of extensive reforms federally mandated by the Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley Act)