

Arkansas Insurance Department

CRIMINAL INVESTIGATION NEWSLETTER

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12-YEAR CAR CRASH RING UNCOVERED

In February 2007, Insurance Commissioner Julie Benafield Bowman and investigators from the Arkansas Insurance Department's Criminal Investigation Division announced the arrest of several suspects in a massive alleged car crash ring. The suspected ringleader, Frederick Watson, is believed to be the mastermind of the ring which defrauded insurance companies of hundreds of thousands of dollars over a period of twelve years. Watson turned himself in to Little Rock police on February 13, 2007. Among his alleged accomplices were his cousin Mark Watson and Rebekah Rahn.

"The investigators from the Department did an exceptional job in investigating these incidents," said Commissioner Bowman. "I am very proud of the work they, as well as private individuals, did to bring about this successful outcome." She went on to say, "Insurance fraud costs Arkansas consumers thousands of dollars each year and we will continue to work hard to investigate and prosecute cases in order to lessen the burden on law abiding citizens."

Investigators from the Department began looking into the case after an adjuster with a Little Rock insurance agency reported she thought one of her clients had been crashed into intentionally. A common thread soon began to emerge as the investigators began looking at police accident reports. They began to see the same vehicle involved in more than one accident or similar names for the drivers involved.

Watson and others in the ring are alleged to have staged over 40 accidents during their years of operation. They often chose targets of opportunity such as an individual pulling out of a driveway or traveling through an intersection. Some crashes caused injuries to unsuspecting victims.

The charges for members of the ring range from insurance fraud to criminal enterprise. If convicted, Frederick Watson could face life in prison. Speaking for the prosecution, Special Deputy Prosecutor Raymond Boyles said, "We take this very seriously. People may think all we can do is charge an individual with a low level felony insurance fraud charge. Nothing is further from the truth. We can use any statute available to us to ensure justice is done. The more heinous the crime, the tougher the charge."

NAIC ANTI-FRAUD TASK FORCE MODEL LEGISLATION

The National Association of Insurance Commissioners (NAIC) Anti-Fraud Task Force has recently released the draft of a new model law for consideration. If adopted, the model law could be considered for passage by state legislatures, including Arkansas. The Arkansas Insurance Department does not take any position on this legislation, nor do we advocate its passage. It is offered here for consideration, as its passage could affect producers and consumers nationwide.

The model legislation under consideration addresses medical providers soliciting business by obtaining crash information from law enforcement agencies. Specifically, the language targets what are known as “runners” or “cappers”. A runner or capper is defined as “a person who receives a pecuniary benefit from a practitioner, whether directly or indirectly, for procuring or attempting to procure a client, patient, or customer at the direction or request of, or in cooperation with, a practitioner whose intent is to obtain benefits under a contract of insurance or to assert a claim against an insured or an insurer for providing services to the client, patient, or customer.” The definition excludes practitioners who procure clients, patients, or customers through the use of public media.

In some instances a runner or capper will impersonate an insurance company representative in an attempt to convince the accident victim that he/she must go see a specific doctor. The victim is pressured to seek treatment or fooled into believing his/her insurance company will not pay on the claim unless the victim goes to the specific doctor who employed the runner or capper.

The legislation proposed would prohibit medical providers or therapists from directly soliciting business from a person involved in a car wreck for 60 days following the wreck. It is similar to a prohibition the Arkansas Supreme Court has imposed against attorneys directly soliciting business from car accident victims. Specifically, the model law would prohibit people acting on behalf of a provider from contacting the person involved in a wreck and directing him/her to a specific provider for treatment.

The model law would also prohibit law enforcement from releasing an accident report if they have a reasonable belief that the information in the report would be used for commercial solicitation. A person requesting a report would be required to present a written document giving his/her name, the form requested, and assurance he/she is not requesting the information for commercial solicitation.

As of this writing, the model law is not currently being considered by any state legislature. You can learn more about the NAIC’s Antifraud Task Force by going to its Web site at:

http://www.naic.org/committees_d_antifraud.htm

There you can read a copy of the model legislation and track changes as it is discussed and amended by the NAIC membership.

FRAUD REFERRAL TRENDS

Type of Referral	Jan - Dec 2006	Jan - Dec 2005	Jan - Dec 2004
Application Fraud	26	38	20
Arson	38	32	49
Disability	11	10	5
Healthcare	12	19	20
Insurance Agent	37	37	42
Insurance Industry	18	13	13
Life Insurance	5	8	5
Personal Injury - Auto	28	22	31
Personal Injury	6	7	21
Prepaid Funeral Home	2	4	2
Property	36	27	38
Property - Auto	99	95	72
Property - Auto Fatality	0	1	0
Workers' Compensation Employee	46	22	55
Workers' Compensation Employer	15	9	7
Workers' Compensation Third Party	0	2	1
Commercial General Liability	1	3	0



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CRIMINAL

SHUTTS, DEBORAH, Pulaski County. On February 13, 2007, Shutts pled guilty to one count of Attempt to Commit Insurance Fraud (Class A misdemeanor). Shutts was ordered to pay a \$1,000 fine, \$150.00 court costs, and a \$50.00 sheriff fee. Shutts provided Ohio Casualty Insurance Company false information by stating she was injured in her vehicle at the time of an accident when she was not in the vehicle and did not sustain any injuries.

JOHNSON, COREY, Jefferson County. On January 17, 2007, Johnson entered a negotiated plea of guilty to a Class D felony count of Fraudulent Insurance Acts. Johnson was sentenced to 36 months probation, 120 hours community service, \$750.00 court costs, \$250 attorney fee, \$50.00 sheriff fee, \$250 DNA fee and a \$25 probation fee. Johnson had run his car off the road into a wooded area and lodged a tree stump into the frame of the car. He got the car back home, called his insurance company, and then found out the coverage he had would not cover his accident. He asked a series of questions to determine what kind of coverage he did have and then hung up. Two days later, he called the insurance company back stating his car had been parked on the street when it was run into by a truck driven by an unknown driver and he wished to file a claim, which would have been covered under his policy. Of course, the insurance company had records of his earlier call. They put two and two together, sent an adjuster out to look at the car and found a stump wedged into the frame of the car, which was inconsistent with Johnson's story. The CID investigation was so good, it left the defendant "stumped" on how he could do anything other than plead guilty.

BOLDS, LINDA, Pulaski County. On January 8, 2007, Bolds entered a negotiated plea of guilty to one count of Attempted Insurance Fraud (Class A misdemeanor). Bolds was sentenced to one year probation and payment of a \$100.00 fine. Bolds was suspected of making false statements to her insurance carrier concerning the circumstances of the alleged theft of her vehicle. During the investigation, Bolds admitted to State Insurance Department investigators that on the afternoon her Kia Sorento was recovered from the Arkansas River, she had not driven it to the movie theater as she had reported to the police and her insurance carrier, but had traded it in on another vehicle earlier that day.

ROBINSON, RONALD, Pulaski County. On November 14, 2006, Robinson entered a plea of guilty to Falsifying Business Records (Class A misdemeanor). Robinson was placed on probation for one year and ordered to pay a \$500.00 fine plus court costs. Robinson altered a Certificate of Liability document then presented the document as evidence of his insurance when, in fact, he did not have insurance.

BARNHILL, CHRIS, Pike County. On November 2, 2006, Barnhill was sentenced to 5 years probation, \$500.00 fine, DNA fee of \$250.00 and ordered to pay restitution of \$7,507.00. Barnhill submitted fake names to AFLAC in order to collect commissions.

TULL, SHAWN, Arkansas County. On November 6, 2006, Tull entered a negotiated plea of guilty to Arson (Class A felony). Tull was sentenced to 60 months in the Arkansas Department of Corrections and ordered to pay a \$250.00 DNA fee and \$150.00 court costs. Tull confessed to working with Stephanie Luebker in burning her house.

DIXON, CAROLYN, Randolph County. On October 30, 2006, Dixon entered a negotiated plea of guilty to two counts of Insurance Fraud (Class D felony) and one count of Theft by Deception (Class A misdemeanor). Dixon was sentenced to 12 months probation, payment of \$2,336.50 restitution, \$500.00 fine, \$250.00 Public Defender's fees and \$150.00 court costs. Dixon was an insurance agent and the owner of Dixon Insurance Inc. in Pocahontas, Arkansas. Dixon was accused of altering declaration pages, invoices, and other documents provided to clients to falsely reflect higher charges than were actually charged by the insurance broker, carriers, and finance companies in order to charge her clients higher fees. In addition, Dixon was accused of filing an inflated claim with her insurance carrier for some repairs to her office, and of knowingly employing a person convicted of a felony involving dishonesty in her insurance business without the written consent of the Insurance Commissioner, as required by law.

MOORE, CURTIS, Craighead County. On October 9, 2006, Moore entered a negotiated plea of guilty to one count of Theft of Property (Class B Felony). Moore was sentenced to 60 months probation, payment of \$12,000.00 restitution, \$236.00 court costs, \$250 DNA collection fees, and a \$25.00 probation fee. Moore was accused of being a member of a fraud ring operating out of the Jonesboro area. He filed a disability claim with AFLAC Insurance and submitted forged medical records in support of his claim for payment.

MCDANIEL, ARIAL, Pulaski County. On September 29, 2006, McDaniel entered a plea of guilty to Obstructing Governmental Operations (Class C misdemeanor). McDaniel was sentenced to 10 hours community service and a \$100.00 fine. McDaniel gave a fake insurance card to a city employee to get her car out of the Impound Lot. *Note: The Fraudulent Insurance Act has been amended to make this crime a felony, rather than a misdemeanor.*

FLETCHER, NANCY, Greene County. On August 14, 2006, Fletcher entered a negotiated plea of guilty to one count of



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Fraudulent Insurance Acts (Class A misdemeanor), in Greene County Circuit Court. Fletcher was sentenced to 12 months probation, 60 hours of community service, payment of \$250.00 fine, \$450.00 restitution and \$200.00 court costs. Fletcher was accused of submitting a forged "Attending Physician's Statement" in support of her claim for continuing disability payments.

TOMLINSON, BRADLEY, Washington County. On July 11, 2006, Tomlinson entered a negotiated plea of guilty to one count of Theft of Property in excess of \$2,500.00 (Class B felony) and one count of Theft of Services in excess of \$2,500.00 (Class B felony). Tomlinson was sentenced to 1 day time served, 36 months probation, payment of \$563.10 restitution, \$150.00 court costs, and \$1,000.00 Washington County restitution. Tomlinson was an agent for Farmers Insurance who was accused of misappropriating clients' premium payments, and of manipulating the computer renewal system to avoid making payments on his own policies. Records indicated he had misappropriated premium payments for 21 different clients totaling \$6,940.38, and avoided payments on various other policies totaling \$6,483.22. The balance of the restitution, other than the \$563.10, was paid prior to the court date via recoupments from Tomlinson's commissions. In total, Tomlinson paid \$13,423.60 in restitution.

SMITH, JOSHUA, Crittenden County. On June 15, 2006, Smith entered a negotiated plea of guilty on one count of Theft of Property in excess of \$2,500.00 (Class B felony). Smith was sentenced to 48 months probation, payment of a \$750.00 fine, \$200.00 court costs, a \$50.00 crime stoppers fee, and a \$250.00 DNA collection fee, and credit for one day time served. Smith had made restitution of \$38,386.25, prior to the date of his plea via recoupments by his employer, AFLAC Insurance. Smith was an insurance agent for AFLAC Insurance accused of generating unearned commissions for himself by creating 56 fictitious applications for non-existent insureds and adding them to group policies.

GIBSON, CASIPRIN CHARLES, Craighead County. On April 21, 2006, Gibson entered a negotiated plea of guilty to two counts of Fraudulent Insurance Acts (Class D felony) and two counts of Theft of Property in Excess of \$2,500.00 (Class B felony). Gibson was sentenced to serve 48 months on each count of the Fraudulent Insurance Acts and 120 months on each count of Theft of Property in the Arkansas Department of Corrections. Gibson was ordered to pay \$22,426.00 in restitution in installments of \$190.00 monthly, to begin 90 days after his release. Casiprin Gibson was part of an insurance fraud ring operating out of the Craighead County area. He filed two false claims with his insurer, AFLAC Insurance, with forged medical records in support of those claims.



HOLT, LISA, Pulaski County. April 5, 2006, Holt entered a guilty plea to one misdemeanor count of Theft of Property and one misdemeanor count of Attempted Fraudulent Insurance Acts. She was sentenced to 1 year suspended imposition of sentence, 40 hours community service, and payment of \$300.00 court costs and \$1,000.00 restitution. While employed at Farm Bureau, Holt fraudulently processed and cashed checks from a Farm Bureau bank account. Holt signed documents with insureds' names, putting fictitious addresses on the documents, knowing this would cause the check to be returned, and then cashed the returned checks by forging the insured's name.

GIBSON, BRENTON S., Craighead County. March 20, 2006, Gibson entered a negotiated plea of guilty to one count of Fraudulent Insurance Acts (Class D. felony) and one count of Theft of Property (Class B felony). He was sentenced to 24 months with 120 months suspended imposition of sentence on the Theft of Property charge, 60 months suspended imposition of sentence on the Fraudulent Insurance Acts, and was ordered to pay \$250.00 court costs, \$250.00 public defenders fees, \$250.00 DNA fee and restitution in the amount of \$25,000.00. Gibson's is the second conviction from a fraud ring operating out of the Jonesboro area that filed multiple claims against AFLAC Insurance based on forged medical records of injuries that never happened.

FEEMSTER, JOSEPH MICHAEL, Searcy County. March 3, 2006, Feemster pled guilty to Attempted Theft (Class A misdemeanor). He was sentenced to 1 year suspended imposition of sentence and payment of a \$1,000 fine and \$200.00 in fees and costs. Feemster was a licensed insurance agent for Farm Bureau who began diverting clients' premium payments for his own personal use after recent health problems.

CONNELLY, SHARON, Pulaski County. March 14, 2006, Connelly pled guilty to attempted Fraudulent Insurance Acts (Class A misdemeanor). She was sentenced to a 1 year suspended imposition of sentence, 30 hours of community service and payment of a \$500.00 fine plus court costs. Connelly's boyfriend was involved in a hit and run accident while driving her car on February 5, 2005. On February 6, 2005, Connelly called the Little Rock Police Department and reported her car stolen. She claimed her car had overheated and she left it in a parking lot. Connelly's boyfriend, who was not a covered driver under her car insurance policy, convinced Connelly to file a false police report and insurance claim so that her car would be repaired.

WIDENER, DAVID, White County. February 8, 2006, Widener pled guilty to Falsifying Business Records (Class A misdemeanor). He was sentenced to 1 year probation, twenty days of

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MESSAGE FROM



Roy Cox

I have a photo of my grandfather, Roy Cox, that haunts me. It looks to have been taken when he was about my age, but in his eyes you see the weight of the world and it has aged him. It was probably taken around 1940, during the Great Depression. Even though it is a portrait style photo, it reminds me of one of the Depression era photos of Walker Evans found in the book *Let Us Now Praise Famous Men*.

The reason this photo has such an impact on me is that it brings home the reality of how difficult his life was. It reminds me that he faced hard times but lived an honest life. He worked as a sharecropper, as a migrant worker, and as a manual laborer but he never stole, robbed or hurt others to get ahead.

He didn't leave me a fortune, but left me with an honest name.

I do not have a good photo of my other grandfather, nor do I know much about the life he lived. He died when he was relatively young due to complications from a sinus infection. He died when my mother was only one year old. He also lived a hardscrabble life and didn't have insurance that would have paid for medical treatment. I've been told before he died he was literally begging for someone to shoot him, to put him out of his misery, due to the pain of a disease that he couldn't afford to have treated.

I know this has nothing to do with insurance fraud. The reason I am discussing it is because it has everything to do with the end results of insurance fraud.

When the Depression hit and millions lost their jobs, our government created the safety net of Social Security. It was a grand insurance policy for an entire society. Men like my grandfather had no option but to rely on that safety net. They grudgingly took the help that was offered until they could find jobs. They did not break the rules, they did not steal, they did not rob. In the face of overwhelming odds and sickness, they stayed honest.

Today people who are sick or involved in tragic events have to rely on insurance in the same way as millions relied on Social Security during the Depression. There is no shame in it. You are entitled to the help. It is only when you abuse the system that you get into trouble.

THE DIRECTOR

Insurance fraud is one of the most common crimes in the United States. Some people have no compunction about stealing from big, faceless insurance companies. Some justify the theft because they feel like they do not receive a benefit for the money they have paid for insurance coverage. If they find themselves down on their luck and facing hard times, they use this excuse to justify their actions. They take what they think is an easy way out.

For others it is a way of life. They work the system and bilk carriers and consumers. Instead of robbing banks with a gun, they rob a society that has devised a system to protect the insurance consumer from hard times. The insurance companies that are the victims of fraud then pass the loss on to the consumer by raising rates.

The Coalition Against Insurance Fraud estimates that each family pays an additional \$950.00 a year in insurance costs due to fraud. To a working family, that is a lot of money. It is enough money a year to mean a vacation, a good Christmas, new clothes for the kids when school starts, or trips to the doctor when someone gets sick. To some folks, that little bit of money is enough to mean the difference between bankruptcy and solvency.

This year we have arrested and prosecuted both rich people and poor people who committed insurance fraud. Many cases made the news, others did not. In all instances, the bad actors failed to realize or didn't care about the legacy they were leaving for their grandkids.

At the time they were committing their crimes, I am sure they invented many reasons to excuse their actions; but the fact was they were stealing. As a result, they had to explain to their families why our investigators put them in handcuffs and took them to jail. They had to tell their kids they could not take them hunting because they weren't allowed to have a gun. They missed events in their kids' lives because they were in court or behind bars.

Insurance fraud is serious and you will live with the consequences. Other people will have to live with your actions as well. Are you denying your grandchildren a good name while at the same time hurting your neighbor by increasing his or her insurance costs?

My grandfather's photo is about legacy. I hope you are leaving a legacy that means as much to your grandkids as his legacy means to me. Live a life to be proud of.

Cory A. Cox



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community service, a \$500.00 fine, \$150.00 court costs, \$300.00 probation fee and \$17,197.57 in restitution. Widener failed to properly account for premium refund money.

PATE, MICHAEL, Saline County. February 7, 2006, Pate entered a negotiated plea of guilty to one count of Theft by Deception of an amount in excess of \$2,500.00 (Class B felony). He was sentenced to 48 months supervised probation and 18 months unsupervised probation, payment of a \$500.00 fine, \$150.00 court costs and fees, \$250.00 DNA fee, and full restitution to the victims in the amount of \$9,258.07. Pate was a licensed insurance agent who diverted a number of premium payments for his personal use.

RODDY, STACEY, Pulaski County. February 13, 2006, Roddy pled guilty to a Fraudulent Insurance Act (Class D felony). She was sentenced to 2 years probation, 20 hours of community service, and payment of a \$250.00 fine, \$250.00 DNA fee, \$25.00/month probation fee and \$700.00 restitution. Roddy was selling fake insurance cards to customers at Car-Mart.

COHEA, MICHAEL, Bradley County. January 9, 2006, Cohea entered a negotiated plea of guilty to one count of Fraudulent Insurance Acts (Class D felony). He was sentenced to 2 years probation and payment of \$15,000 to the Warren Housing Authority. Cohea submitted a forged \$15,000 bond to the Warren Housing Authority as security for

construction work. He also filed forged bonds with his construction bids in Conway and Pope County. He entered a negotiated plea of guilty to Falsifying Business Records (Class A misdemeanor) in both counties. Cohea was sentenced to 1 year probation, payment of a \$1,000.00 fine and \$150.00 court costs on January 25, 2006, in Conway County; and 1 year probation, payment of a \$1,000.00 fine and \$150.00 court costs on January 31, 2006, in Pope County.

MCCLENDON, TRISHANNA, Saline County. January 5, 2006, McClendon entered a negotiated plea of guilty to one count of Theft by Deception of more than \$2,500.00 (Class B felony). She was sentenced to 6.5 years probation, payment of a \$200.00 fine, court costs, restitution to State Farm in the amount of \$5,466.87, and restitution to Matthew Reginelli in the amount of \$4,193.26. McClendon was a licensed insurance agent working for the Reginelli Insurance Agency who altered payment records to misappropriate premium funds and refunds.

EWING, MELANIE, Saline County. January 5, 2006, Ewing entered a negotiated plea of guilty to one count of Theft by Deception of more than \$2,500.00 (Class B felony). She was sentenced to 5 years probation, payment of a \$200.00 fine, court costs, restitution to State Farm in the amount of \$9,871.36, and restitution to Matthew Reginelli in the amount of \$7,650.00. Ewing was a licensed insurance agent working for the Reginelli Insurance Agency who altered payment records to misappropriate premium funds and refunds.

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- You can view this newsletter on our Web site at: **www.fightfraud.arkansas.gov**.
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