

INSURANCE FRAUD NEWSLETTER

Volume 13

Mike Huckabee
Governor



Julie Benafield Bowman
Insurance Commissioner

2004
Review

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MESSAGE FROM THE DIRECTOR



**Insurance Fraud
Investigation Division**

- Martin J. Nevrla
Director
- S.D. Roff
Assistant Director
- Daniel Reber
Chief Prosecutor Attorney
- Greg Sink
Acting Chief Prosecutor
- Raymond Boyles
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
- Debra Baker
Admin. Assistant

A True "Coalition of the Willing"

In 1993, the same year Arkansas created the Workers' Compensation Fraud Investigation Unit (the predecessor to the Insurance Fraud Investigation Division), an alliance of major insurers, law enforcement agencies and consumer rights groups established the Coalition Against Insurance Fraud. Headquartered in Washington, D.C. and led since its inception by Dennis Jay as its Executive Director, the Coalition, by its own mission statement, "is an independent nonprofit organization of consumers, government agencies and insurers dedicated to combating all forms of insurance fraud through public information and advocacy".

It was my pleasure and good fortune to have been a member of the Board of Directors of the Coalition during the four years I represented Arkansas as Chair of the Antifraud Task Force of the National Association of Insurance Commissioners (2001-2004).

During that time, I witnessed a small but remarkably talented and dedicated Coalition staff earn the rightful reputation as the most credible source of insurance antifraud information and advocacy.

One reason it has such credibility is the active participation of such nationally recognized consumer protection groups as Consumer Watch, the Consumer Federation of America and Consumer Fraud Watch. The most persistent, and ultimately baseless, criticism of the governmental insurance antifraud effort is that it is merely a "tool of the insurance industry". This criticism has generally come from those whose constituency has historically profited from lax claims review and tolerance of claimant fraud, an estimated \$80 to \$100 billion annual national cost passed directly back to consumers.

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- To remove your name from our mailing list, please contact **Debra Baker at 501-371-2790**
- Check our website at: [http:// www.arkansas.gov/insurance](http://www.arkansas.gov/insurance)
- Our toll-free hotline is 1-866-660-0888

HALL OF SHAME 2004



Each year, the Coalition Against Insurance Fraud publishes a list of inductees into their Insurance Fraud Hall of Shame. Here are this year's "winners":

Dental Drill Sergeant. Dentist Tejbir Oberoi drilled phantom cavities, did worthless root canals and yanked perfectly good molars to pad his insurance billings. One patient had 14 healthy teeth pulled. Another had useless gum surgery. Some patients were forced to get painkillers at hospitals or have other dentists repair their botched surgeries. The Buffalo area dentist billed one family nearly \$38,000 in a single year. One daughter had a routine cleaning and came out with a root canal. Another woman received numerous unneeded root canals, crowns, tooth implants and gum surgeries. Oberoi also made hundreds of claims for treatments he never performed. He received more than five years in federal prison.



Granny Perfects Floor Routines. A portly 73 year old Isabel Parker ran a one woman criminal empire of fake slip and fall injuries that bilked insurers out of more than \$500,000. Who'd expect a rosy cheeked old lady to lie about hurting herself in a store fall? The greedy granny perfected Olympic caliber floor routines for 15 years in New Jersey and Pennsylvania. Avoiding stores with surveillance cameras, she'd lie down in a store until someone found her. Parker then claimed she tripped over lamp cords, boxes and even a crack in the sidewalk. She used eight phone numbers, 11 addresses, 47 aliases and Social Security numbers to make claims. Parker received probation and must repay the stolen money.

Fakes and Pains. John Hyde peddled fake health coverage to thousands of small, Main Street Businesses that were desperate for affordable coverage. The California man promised low prices, generous benefits and easy signup. But customers were shocked to discover their policies were worthless when they took sick or were hurt in accidents. One young boy had brain cancer when his family's policy proved worthless. A teenager was in an auto accident and rang up hundreds of thousands of dollars in medical bills that Hyde wouldn't pay. He bilked at least 2,500 people out of millions in unpaid medical bills and stolen premiums. Hyde and his cronies paid themselves large salaries and bought expensive clothes, luxury cars like Porsches and Jaguars, and lived in fancy homes. He awaits federal sentencing.

Ashes to Ashes. Rev. Gerald Rayborn torched his own church so he could rake in nearly \$800,000 from the church's insurance policy. He spread gasoline and diesel fuel around the New Mt. Sinai Baptist Missionary Church in Memphis. He then wrapped envelopes around an air conditioner cord in the attic and lit them, hoping police would think an electrical fire burned the building. But Rayborn was soon arrested. At trial, he conveniently forgot key details, such as he was in the church minutes before the blaze broke out. He also spent more than \$100,000 of church money for two Corvettes, clothing and his credit card bills. Church members had to raise \$900,000 to rebuild the gutted structure after the insurance company refused to pay. Rayborn will be sentenced later.

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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

DR. RICHARD WARD, Sebastian County. Subject was accused of billing an insurer for chiropractic services which the patient testified were not rendered. Subject entered a plea of guilty to theft of property, a class A misdemeanor. Subject was given a 1 year suspended sentence and ordered to pay \$750.00 in fines and \$150.00 court costs.



MARK PREWETT, Saline County. Subject was an insurance agent who altered his business records to show he had cash on hand for payment of insurance policies when in fact he did not have the cash. Subject entered a plea of guilty to falsifying business records, a class A misdemeanor. Subject received one year probation, 20 hours community service, \$500.00 fine and \$150.00 court costs.



KERRY SHELTON, Drew County. Subject was accused of presenting an altered certificate of insurance after a traffic accident in Monticello, Arkansas. Subject entered a plea of guilty to an attempted fraudulent insurance act, a class A misdemeanor. Subject was sentenced to 12 months probation, payment of \$1,072.67 in restitution and \$150.00 court costs.



JOHN COLLIER, Lonoke County. Subject was an insurance agent who converted insurance premiums for his own personal use. Subject entered a plea of guilty to one count of theft of property, a class C felony, one count of breach of fiduciary duties of licensees, a class C felony, and one count of theft of property, a class A misdemeanor. Subject received 3 years probation, \$1,655.00 in restitution, \$750.00 fine and \$150.00 court costs.



ALBERT LOFTON, Phillips County. Subject was accused of filing a false claim for the theft of a vehicle which investigation showed he had hidden with a relative. Subject entered a plea of guilty to one count of a fraudulent insurance act, a class D felony. Subject was sentenced to 48 months probation, 50 hours community service, payment of a \$750.00 fine and \$175.00 court costs.



STEVEN MITCHELL, Pope County. Subject staged a car accident with his mother-in-law and wife. The mother-in-law admitted on tape that the accident was staged. Subject entered a plea of guilty to theft of property, a class B felony. Subject received 5 years probation, 75 days in the county jail, \$350.00 fine, 1680 hours of community service, \$150.00 court costs and ordered to pay \$6,838.24 in restitution to State Farm.



PAUL GALLOWAY, Pulaski County. Subject was accused of forging a certificate of liability insurance he provided to the owner of a mobile home park. He damaged a trailer while cutting trees and the forgery was discovered. Subject entered a plea of guilty to one count of a fraudulent insurance act, a class D felony. Subject was sentenced to 3 years probation, \$450.00 fine and \$7,141.00 in restitution.



MIKE WELCHER, Pulaski County. Subject was accused of filing a claim with State Farm Insurance for the theft of his 2000 Chevy Suburban. Investigation showed that he had arranged for the vehicle to be stored at a local business where it was recovered. Subject entered a plea of guilty to one count of a fraudulent insurance act, a class D felony. Subject was sentenced to 3 years probation, \$1,000.00 fine and \$11,457.54 in restitution.



TIMOTHY BRYANT, White County. Subject was receiving disability insurance from Aetna Insurance. Subject was suspected of misrepresenting his employment status in interviews with Aetna employees and on documents provided to the company. Subject entered a plea of guilty to one count of a fraudulent insurance act, a class D Felony. Subject was sentenced to 72 months probation, \$500.00 fine, \$18,000 in restitution and \$150.00 court costs.



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HALL OF SHAME 2004

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Judging the Judge. Ohioans were riveted by the spectacle of an elected judge busted for torching his own house for nearly \$800,000 in insurance money. Don McAuliffe decided his old house was too rickety to fix up. So first he broke a gas line, hoping to blow up the place. He told his girlfriend to go inside and retrieve some possessions, but did not tell her the house was ready to explode. Luckily the house didn't blow. McAuliffe then had his handyman lean a hot light against the wooden walls. The judge then zoomed to the Virgin Islands to create an alibi, and his house finally burned down. At trial, McAuliffe blamed the handyman, his girlfriend and even her kids. Guilty as charred: McAuliffe received 17 years in state prison.



Chilly Antifreeze Killer. Lyn Turner poisoned her husband, police officer Glenn Turner, by slipping him antifreeze so she could collect on his life-insurance policy. He checked into the hospital, complaining of flu-like nausea, but was quickly released. Glenn died in agony, alone in his bed at home the next day. Evidence quickly piled up: The Georgia woman had nagged him into getting \$153,000 in life insurance, was having an affair with firefighter Randy Thompson and seemed strangely cool during Glenn's funeral. Turner even ran off with Thompson on vacation shortly after her husband died. But then Thompson also died mysteriously with the same flu-like symptoms. Officials found antifreeze in his and Glenn's bodies. Turner received life for killing Glenn, and is charged with poisoning Thompson.

Firefighters Under Fires. To escape a large mortgage, Emile Moreau torched his New York City apartment building for insurance money—injuring three firefighters and leaving his crony to die in the fire and take the rap. Moreau was behind on his mortgage, so he and Vincent Allen ignited gasoline they'd poured around the place. The intense fire caught Allen on fire, giving him third-degree burns. But Moreau ran out of the building, locking the front door. Allen was trapped inside. He received third-degree burns, but firefighters pulled him out, barely alive. Three fire fighters also were injured. Allen got revenge by testifying against Moreau, who now faces possible life in prison when sentenced.



Penthouse to Jailhouse. When the World Trade Center fell on September 11, elderly millionaire Beatrice Kaufman didn't see a tragedy. She saw a profit center. Kaufman was renovating her 5 million Manhattan penthouse, living at her other home in the swanky Hamptons and in a luxury hotel. But Kaufman lied to her insurer that the attacks—not the renovations—had damaged her penthouse, driven her out of the unit, and forced her to live in luxury elsewhere. She sought about 1 million in insurance, relief and charity money. She also claimed the area around her penthouse was unsafe to return to, even though her employees were working her legal-temp firm around the corner. Kaufman said she was just following her accountant's orders. But investigators found handwritten notes telling her accountant to file the claims. Kaufman moves from a luxury penthouse to a gated community: She'll spend 52 weekends in jail.

CRIMINAL CONVICTIONS

(CONTINUED FROM PAGE 3)

RALPH OWERS, Union County. Subject was the owner of Rump Owers Funeral Home. He was accused of misappropriating payments on numerous prepaid funeral benefit contracts. Subject entered a plea of guilty to theft by deception in excess of \$2,500.00, a class B felony, and failure to deposit or transfer prepaid funeral benefits, a class D felony. Subject was sentenced to 120 months probation and ordered to pay \$120,699.73 in restitution.



SAND WHEELER, Hempstead County. Subject was accused of falsely reporting his vehicle as stolen after he placed it in storage and accepted over \$21,000.00 in insurance benefits as a result of the false claim. Subject entered a plea of guilty to one count of a fraudulent insurance act, a class D felony and one count of theft of property, a class B felony. Subject received 5 years in the Arkansas Department of Correction.



WILLIAM MANSON, Perry County. Subject was accused of filing a false claim for the theft of hunting equipment he claimed was stolen when he and a friend went deer hunting. One of the pieces of equipment was a generator which was found in the garage of the friend after the friend's wife called the insurance carrier to report that it was in their possession. Subject entered a plea of "No Contest" to charges of committing a fraudulent insurance act, a class D felony. Subject was sentenced to 2 years probation, \$250.00 fine and \$4,700.00 in restitution.



SANDRA HUNT, Pulaski County. Subject was an insurance agent accused of diverting premium funds for her own use. Subject entered a plea of guilty to one count of a fraudulent insurance act, a class D felony. Subject was sentenced to 3 years probation conditioned upon payment of a \$400.00 fine, court costs, and \$482.02 in restitution.



DANIEL WIGGINS, DONNA WIGGINS and ANNIE HAYNES, Ashley County. Donna Wiggins provided Progressive Insurance false information concerning her claim by stating that she was a passenger in a vehicle on January 8th when in fact she was the driver with no passengers and the accident occurred on January 6th which was one day prior to coverage being placed on the vehicle. Annie Haynes, Donna's sister, provided Progressive false information by claiming the accident happened on the 8th and she was the driver. Daniel Wiggins, Ashley County Sheriff's Deputy, provided false information concerning a claim for insurance by stating on the accident report the accident happened on the 8th and Annie Haynes was the driver. The Sheriff's dispatch log showed the wrecker was sent to the scene on January 6th. Subjects entered a plea of guilty to criminal conspiracy to commit insurance fraud, a class A misdemeanor. Subjects were ordered to pay a \$500.00 fine and court costs.



JOSEPHINE MASHBURN, Pulaski County. Subject was accused of entering into a conspiracy to receive group insurance through an employer with whom she was not currently employed. Subject entered a plea of guilty to one count of theft by deception, a class A misdemeanor. Subject was sentenced to one year probation, \$250.00 fine and \$16.18 in restitution.



BARBARA TAYLOR, Independence County. Subject was an insurance agent accused of writing false insurance policies in order to generate commissions. Subject entered a plea of guilty to one count of a fraudulent insurance act, a class D felony. She was sentenced to 3 years probation, payment of a \$500.00 fine, \$150.00 court costs, \$250.00 DNA fee, \$9,680.90 in restitution and 50 hours of community service.



MESSAGE FROM THE DIRECTOR

(CONTINUED FROM PAGE 1)

There are two sides to the insurance fraud story and there simply is not documented support for the concept that insurers systematically and intentionally deny consumers their rightful contractual benefits on a scale in any way proportionate to the fraud perpetuated by claimants. Respected and objective consumer advocacy groups recognize this and willingly support claimant antifraud efforts as well as vigilant regulator enforcement against insurers who abuse their position of strength – an enforcement effort that must be as forcefully pursued as claimant fraud. Insurance is the one financial services sector that affects every man, woman and child in our country on a daily basis. Strong deterrence and enforcement against fraud, whether committed by or against consumers, is an important component in keeping the cost of insurance down for everyone.

The Coalition is a successful model that government agencies can emulate to the benefit of all citizens of Arkansas. Having established itself as an effective and respected enforcement tool, the Insurance Fraud Investigation Division will be reaching out to form a state coalition of government agencies, insurers and consumer groups to develop an initiative on the most effective tool in deterring insurance fraud, i.e., balanced public education.

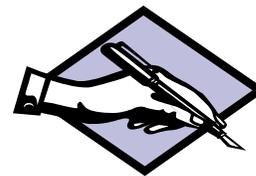
We seek the input of all those who have interest, energy and constructive ideas to contact the Division in regard to forming such a “coalition of the willing”.

Martin J. Nevrla

P.S.

This “Message” will be my last as Director of the Insurance Fraud Investigation Division. It is with mixed emotions that I have submitted my resignation, effective April 15, 2005, to take a legal compliance position with Liberty Mutual Group in Boston.

The last 11 ½ years has been the most rewarding of my professional career, principally due to the incredible staff of the Division and the support received from my Commissioners and Deputy Commissioners in the Department. I know the Division will continue to excel under new leadership.





Meet Our New Commissioner

Well, “hello” and “goodbye”

Since this is the first Insurance Fraud Newsletter of my tenure as Insurance Commissioner, “Hello, to all of you.” However as you can see from Director Nevrla’s message, he has resigned and is leaving the Department - so, “goodbye” to Marty. I have known Marty for 11 1/2 years, when he first hired me as the attorney supervisor of the newly-formed Worker’s Comp Fraud Unit. Marty is truly one-of-a-kind. He was a wonderful boss, dedicated to the mission of the Fraud Unit. He has taken what was literally an office housed behind a fax machine and turned it into the nationally-known Fraud Unit that it is today.

Marty, himself, has become “Mr. Fraud” across the United States and made us all proud that he is one of ours.

Cheers to you, Marty, and to a bright future for you and your family.

We will miss you.

Julie Benafield Bowman

MEET OUR NEW STAFF MEMBERS

DANIEL REBER joined the Division as Chief Prosecutor Attorney in September 2004 after a previous stint as Staff Attorney in 2002. Dan is currently serving his country in Afghanistan as a Lieutenant Colonel in the USMCR. We look forward to Dan’s return later this year.

DEBRA BAKER joined the Division in October 2004 as an Administrative Assistant. Debra has over eleven (11) years experience with state government.



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