

INSURANCE FRAUD NEWSLETTER

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Mike Huckabee
Governor



Mike Pickens
Insurance Commissioner

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**A Happy
New
Year!**

**Insurance Fraud
Investigation Division**

Martin J. Nevrla	Director
S. D. Roff	Assistant Director
Clay Simpson	Chief Counsel
Raymond Boyles	Staff Attorney
Bill Bryan	Investigator
Patrick O'Kelley	Investigator
Todd Shaddox	Investigator
Monty Vickers	Investigator
Brian White	Investigator
Ken Wilder	Investigator
Shirley Pegg	Fiscal/Support Mgr
Evelyn Brown	Legal Secretary

MESSAGE FROM THE DIRECTOR

The Case For Law Enforcement Status

During the 83rd General Assembly due to convene in January 2001, the Insurance Fraud Investigation Division will be proposing legislation that will authorize its investigators to become certified law enforcement officers. While the Division has the power to issue subpoenas and administer oaths, and its attorneys are authorized to be appointed special deputy prosecuting attorneys, serious issues have arisen that make it imperative that the Division be granted law enforcement status.

There are currently forty state insurance departments with a division assigned to investigate insurance fraud. Twenty-two states have either granted their insurance department antifraud divisions law enforcement authority or have funded insurance fraud positions in an affiliated law enforcement agency. There are five basic reasons why the Division, which does only criminal investigations, should join these states and be granted certified law enforcement status:

1. Investigator Safety
2. Execution of Arrest and Search and Seizure Warrants
3. Concealed Handgun Law in Arkansas
4. Advanced Law Enforcement Training
5. Federal and State Grants

1. Investigator Safety

This is by far the most important reason for law enforcement status. Since expanding from only workers' compensation to all types of insurance fraud in 1997, exposure to suspects and witnesses with criminal records has become a serious concern. A sampling of the criminal history of recent insurance fraud suspects include: homicide, rape, sexual assault, arson, attempted murder, drug trafficking and possession, assaulting a police officer, convicted felon in possession of a firearm, aggravated assault, communicating a threat, theft of property and theft of services.

Investigators report increasing incidents of contact with drug users, especially highly volatile "crank" addicts. It appears that drug users, as

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FRAUD REFERRAL UPDATE

- To remove your name from our mailing list, contact Evelyn Brown at 501-371-2790
- Check our website at: <http://www.state.ar.us/insurance/fraudinvestigation/index.html>
- The top 3 categories of fraud continue to be workers' comp employee fraud, insurance agent malfeasance and property/auto

MESSAGE FROM THE DIRECTOR

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well as drug traffickers, are finding it more profitable and less dangerous to engage in insurance fraud to support their drug activities rather than other types of theft.

Insurance fraud suspects are subject to criminal penalties, including substantial prison terms. Under these circumstances, suspects are posing increasingly serious threats to the safety of investigators. While standing orders are to back away from potentially dangerous confrontations, several incidents have occurred that turned "sour" without warning. Fortunately, no one has yet been injured; however, as the Division's caseload continues to increase, it is only a matter of time before an investigator is injured or worse. The Division investigators need to be adequately trained and equipped for their own and the general public's safety.

2. Execution of Arrest and Search and Seizure Warrants

Only certified law enforcement officers are authorized to execute arrest and search and seizure warrants. The Division has used other law enforcement agencies for these functions with mixed success.

Arrest warrants that are more than three months old have grown from 4 on 01/01/98, to 16 on 04/01/99, to 26 (12 over 1 year old) on 10/01/00. It is not an issue of any law enforcement agency refusing to execute arrest warrants, but rather one of priorities. The Division understands that insurance fraud, theft, embezzlement and perjury cases have a lesser priority than crimes involving violence and drugs; however, "justice delayed is justice denied" for both the accused and the State. Speedy trial issues also become a problem when arrest warrants are issued out of circuit court.

The Division has requested a limited number of search and seizure warrants because of the logistics and timing necessary to execute them legally. Evidence could be destroyed or removed or the use of seized items could be subject to evidentiary challenges if search warrants are not timely and properly executed. On more than one occasion, service of a warrant had to be delayed because the law enforcement officer assigned to execute the warrant on the Division's behalf became suddenly unavailable when other priorities arose. Delays might not

only make the attainment of necessary evidence more difficult but could pose a safety hazard to an officer if delays occur that "tip off" suspects.

3. Concealed Handgun Law in Arkansas

The existence of a concealed handgun law in Arkansas raises a potentially cynical and hypocritical position by the State if investigators are not authorized to adequately equip themselves for defensive purposes.

An ordinary citizen in Arkansas without a criminal record and a minimum of training can be licensed to carry a concealed weapon. An investigator enforcing criminal laws on behalf of the State should have an opportunity to adequately defend himself against the threat of deadly force. It is important to remember that every investigator hired by the Division has been a fully certified law enforcement officer in his previous position and would be re-certified by the Commission on Law Enforcement Standards and Training before being authorized to carry a weapon (or execute warrants).

4. Advanced Law Enforcement Training

Training available only to certified law enforcement officers, such as that offered by the Federal Bureau of Investigation, would enhance the effectiveness of the Division.

5. Federal and State Grants

As with advanced law enforcement training, the availability of federal and state grants would only enhance the effectiveness and efficiency of the Division.

Please call me or any member of my staff if you have questions or comments about law enforcement status and I ask that you encourage your legislators to vote for this bill when it comes before them. My investigators, their families, and I thank you for your support.

Martin J. Nevrla



CRIMINAL CONVICT-

DONTAY LAVELLE WALLS, Pulaski County. Subject altered the return date on a "return to work" form and added a diagnosis and work restrictions. Pleaded no contest to workers' compensation fraud (Class D felony) and received a \$500 fine (with 21 days credited for time served), 80 hours of community service and 3 years unsupervised probation.

PEGGY VANCE, Phillips County. Subject (insurance agent) filed 14 false emergency towing/road service claims involving 11 policyholders. Ms. Vance received the funds from the settlement of these false claims by forgery, by altering or fabricating invoices from towing services and by making misrepresentations to policyholders to induce them to endorse drafts.

 Pleaded guilty to theft of property (Class C felony) and committing a fraudulent insurance act (Class D felony) and received a suspended sentence of 36 months, 12 months supervised probation, 50 hours community service, \$300 fine, payment of court costs and full restitution of \$980 within 7 days.

WILLA K. FANNING, Washington County. Subject claimed a work related injury stating that her knee buckled while cleaning the shower in a truck stop, requiring her to be carried out by a truck driver due to her inability to walk. The store video camera revealed her walking out unescorted and then completing numerous tasks that required her to bend at the knees that same evening. Pleaded guilty to workers' compensation fraud (Class D felony) and received 3 years probation, 50 hours of community service, \$500 fine, payment of court costs and restitution of \$4,937.10.

PHILLIP PLISCHKE, Pulaski County. Subject made material false statements in support of a theft loss claim involving expensive golf equipment allegedly stolen from his vehicle. Pleaded guilty to committing a fraudulent insurance act (Class D felony) and received 48 months probation conditioned upon the payment of a \$750 fine, court costs and \$4021.21 in restitution.

DARRELL HULL, Pope County. Subject falsified an employment application and post employment questionnaire claiming no prior back injury. After being hired, Hull reported a work-related back injury and provided false material information to his medical provider to extend benefits. It was then discovered that Hull had received a \$20,000 settlement from his prior employer for a back injury. Pleaded guilty to workers' compensation fraud (Class D felony) and received 60 months probation, 168 hours of community service, \$500 fine, payment of court costs and restitution of \$5,592.52.

PENNY ELSTON (HENDERSON), Pulaski County. Subject used premiums from prepaid funeral accounts for personal use in lieu of placing monies in a trust fund. Pleaded guilty to theft of property (Class B felony) and was sentenced to 5 years probation, 60 days in the county jail, payment of court costs and restitution of \$41,745.

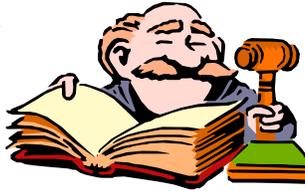


JOSHUA WORDLAW, Pulaski County. Subject (former insurance agent, license revoked in 1995) continued to represent himself as an insurance agent and write insurance policies. Applications were signed by Harold Longs, a licensed agent. Convicted in 1997 of a misdemeanor for conducting the business of selling insurance without a license, subject pleaded guilty a fraudulent insurance act (Class D felony) and received a sentence of two years in the Arkansas Department of Corrections.

HAROLD LONGS, Pulaski County. Subject (insurance agent) knowingly hired an unlicensed former agent whose license had been revoked in 1995, to sell insurance policies. Subject would then sign all paperwork representing himself as the initiator of these policies. Pleaded guilty to a fraudulent insurance act (Class D felony) and received 3 years probation, 50 hours of community service, payment of court costs and a \$500 fine.

JULIUS ANDERSON, Pulaski County. Subject filed fraudulent claims for treatments not received and forged the treating physician's name for disability insurance. Pleaded guilty to forgery (Class C felony) and received 5 years supervised probation, 150 hours of community service, \$3000 fine, payment of court costs and \$1827.80 in restitution.

JOHNNY LEE GLOVER, Pulaski County. Subject submitted a false hail damage claim on a vehicle that had been damaged with a ball-peen hammer or other such instrument(s). Was found guilty of a fraudulent insurance act (Class D felony) by a jury and sentenced to 6 months in the Pulaski County Jail followed by 24 months of supervised probation.



JENNIFER DOTSON, Craighead County. Subject, an office manager for an insurance agency, embezzled premium monies leaving clients with no insurance coverage. Pleaded guilty to theft of property (Class B felony) and received 5 years probation, 50 hours of community service, \$1000 fine, payment of court costs and restitution of \$1319.08.

PAULA HUNT, Pulaski County. Subject, while employed for an insurance company, manually processed ineligible and nonexistent claims for family members. Pleaded guilty to committing a fraudulent insurance act (Class D felony) and received 1 day in the county jail, 100 hours of community service, \$500 fine, payment of court costs and \$211.56 in restitution and two years suspended imposition of sentence.

HERBERT GALLOWAY, Garland County. Subject made numerous false material statements in furtherance of his claim. Surveillance videos revealed Galloway engaging in activities beyond the physical condition he represented to his employer and attending medical staff. Pleaded guilty to workers' compensation fraud (Class D felony) and received 36 months probation, \$250 fine, payment of court costs and restitution of \$160.





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SPOTLIGHT ON FRAUD



INSURANCE AGENT PLEADS GUILTY IN LARGE SCALE FRAUD AND THEFT SCHEME

On August 28, 2000, Steven J. Morrison, 37, a former Russellville, Arkansas insurance agent, entered guilty pleas to six felony charges, including theft of property, theft of property by deception, and forgery.

A criminal information was initially filed charging Morrison with 23 felony counts. The charges resulted from one of the largest criminal investigations ever conducted by the Insurance Fraud Investigation Division of the Arkansas Insurance Department.

Two weeks prior to the scheduled trial date, Pope County Prosecuting Attorney David Gibbons negotiated a plea agreement with Morrison that included 60 months probation conditioned upon payment of restitution of \$2,271.97 (approximately \$37,500 having already been paid), \$200 in fines and court costs, 168 hours of community service and voluntary surrender of his insurance license which had been suspended in April of this year.

The felony counts to which Morrison pleaded guilty were based on various illegal schemes involving the obtaining of premium finance loans under false pretenses and converting the proceeds to his own use. "This case and others the Fraud Investigation Division is working have raised some serious questions about insurance premium financing, both from the perspective of protecting the consumer from unscrupulous insurance agents and how premium finance companies themselves conduct their business. Premium financing companies often make it too easy for insurance agents to commit fraud if they have that intent", stated Insurance Commissioner Mike Pickens. He added that the Insurance Department is looking at whether legislation may be necessary to address some of the problems uncovered.

Although the plea agreement ended the criminal case against Morrison, the Insurance Department intends to take administrative action on complaints not charged. "We were uncovering so many problems and receiving so many complaints that we just had to stop investigating and get this individual charged", said Director Nevrla. He added that the Department will civilly pursue approximately 150 additional complaints against Morrison.