



## Four Questions with Ron Chillemi

We had a chance to chat with New Jersey's chief fraud buster Ron Chillemi about the many issues he's tackling in the Garden State. Ron is the Acting Insurance Fraud Prosecutor — the focal point for coordinating anti-insurance fraud activities statewide. New Jersey created a state insurance fraud prosecutor separate from the AG in 1998. OIFP has had considerable success prosecuting serious fraud offenders in recent years. The office also has helped spearhead legislation that has tightened the safety net against no-fault rings operating in the state.

*There are anecdotes of insurance fraud in New Jersey after Superstorm Sandy. What kinds of insurance schemes have your office investigated and prosecuted, and how widespread are they?*

Superstorm Sandy ravaged New Jersey's coastline in October 2012. This disaster was exacerbated by a number of fraud schemes that diverted resources from residents in need to criminals. OIFP has successfully prosecuted a number of Sandy fraud schemes. The first schemes that we identified were profiteers who, in the immediate aftermath of the storm, stole and fenced generators and industrial power tools worth hundreds of thousands of dollars. These items were essential to residents who needed them to rebuild their homes and lives after Sandy. We recently argued for, and secured, a multi-year state prison sentence for one of the profiteers.



**Ron Chillemi**

The second wave of schemes that we detected were fraudulent property claims. Examples include homeowners' claims of damage from Sandy that were caused by Hurricane Irene more than one year earlier. Insurers already had settled the Irene claims but certain policyholders did not repair the damage from Irene. Instead they made a second claim for damage caused by Irene, claiming it was caused by Sandy. A second variety are policyholders who submitted claims under several policies for the same loss without informing the other insurers of the other policies or claims. Happily, now nearly three years after the storm, these fraudulent property claims cases are dwindling in number.

*New Jersey just enacted a law criminalizing drivers falsely using out-of-state addresses to avoid paying for auto insurance in New Jersey. How prevalent is this trend in New Jersey, and how does this crime damage the state and consumers?*

My office recognized the problem of reverse rate evasion and documented its growth for the legislature. We sought to address it before it became pervasive. Reverse rate evasion increases the cost of insurance to law-abiding consumers because their New Jersey insurers have less money to pay claims. Billions of dollars can be siphoned from the New Jersey insurance market and risk pool through this evasion.

We also observed that rate evasion was becoming systematized and brazen. We saw certain individuals creating businesses to encourage and profit from evasion. The first person charged under the recently-enacted reverse rate evasion law was Shareem Taylor, whom we allege developed an internet rate evasion business under a pseudonym. This business offered assistance to motorists with out-of-state registration and insurance in exchange for a fee. Mr. Taylor's advertisement bragged that "I can lower your in-state [sic] insurance by up to 50 percent" and "I've been doing this for 6 years and have over 600 customers." We used proactive techniques to develop much of our evidence, and arrested Mr. Taylor days after Gov. Christie signed the law.

We look for opportunities to improve the ever-changing insurance climate in New Jersey. One important way is by advocating for legislation on unaddressed problems, and then applying that legislation to cases to deter insurance fraud. Our case against Mr. Taylor is an example. We will continue to use proactive techniques such as undercover operations, electronic surveillance and internet monitoring. Our goals are to improve our insurance markets and maintain healthy markets for our consumers.

*What emerging fraud trends have you seen over the past 2-3 years, and what ongoing schemes do you battle year in and year out?*

We see emerging trends in pharmaceutical fraud schemes. We have seen unscrupulous pharmacies paying physicians kickbacks in exchange for the physician writing medically unnecessary prescriptions for expensive pharmaceuticals such as certain medications and compounding creams. We also see pharmaceutical wholesalers purchasing medications from consumers at a steeply discounted price to reduce their inventory cost.

And we see traditional schemes increasing in frequency, including elder abuse. We have responded by developing a highly trained rapid-response team to travel anywhere in our state the same day a crime is reported. We conduct interviews and collect forensic evidence before conspirators can collude as to their reports to law enforcement. We also see increasing sophistication in workers' compensation and healthcare fraud schemes. For example, the president of a roofing company fabricated documents to understate the degree of risk his employees faced. The purpose of this scheme was to reduce the cost of his company's workers' compensation insurance and increase the likelihood of success of his contract bids. He spent six months in prison for this crime.

We have new trends in our operation as well. First, we have successfully increased our tempo through the use of trial tempo and careful case selection. Second, we make extensive use of proactive techniques to develop strong intent evidence. Third, we recently launched our third annual advertising campaign to deter fraud before it ever begins. These practices have led to far better case results, including the more than tripling of the average prison sentence received from .996 to 3.365 years, our first convictions for first-degree crimes, and record financial recoveries.

*Do you have added recommendations for strengthening the state's insurance-fraud laws?*

Yes, there are some worthwhile legislative proposals we have supported. For example, we have testified in support of a bill that, among other things, will help us pre-empt many PIP fraud schemes by controlling the timing of access to accident reports. These reports are widely used to jumpstart fraud schemes. If the reports are available initially only to those with a legitimate interest in the reports, we can then easily distinguish between legitimate and fraudulent claims. In fact, as the criminals will know that we can so distinguish, this reform likely would deter many PIP fraud schemes. Other states — including Michigan and Texas— have enacted laws to control access to accident reports.

Another legislative proposal for which we have expressed support would enable the sharing of information among victim carriers which will improve our analysis and evidence. Currently, there are legal barriers to robust information-sharing. Removing those barriers is a reform we'd like our legislature to evaluate.