

**OFFICE OF  
INSURANCE FRAUD  
PROSECUTOR**

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**Office of Insurance Fraud Prosecutor  
Division of Criminal Justice  
Department of Law and Public Safety**

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**ANNUAL REPORT**  
**OF THE**  
**OFFICE OF INSURANCE FRAUD PROSECUTOR**  
**FOR CALENDAR YEAR 2000**  
*(Pursuant to N.J.S.A. 17:33A-24d)*

**Submitted**  
**March 1, 2001**

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**Attorney General**

**Kathryn Flicker**  
**Director, Division of Criminal Justice**

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**Prepared by:**

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DONALD T. DIFRANCESCO  
*Acting Governor*

JOHN J. FARMER, JR.  
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February 28, 2001

Honorable Donald T. DiFrancesco  
Acting Governor  
Members of the New Jersey Legislature  
State House  
Trenton, New Jersey 08625


Re: Annual Report of the Office of Insurance Fraud Prosecutor


Dear Acting Governor DiFrancesco and Members of the Legislature:

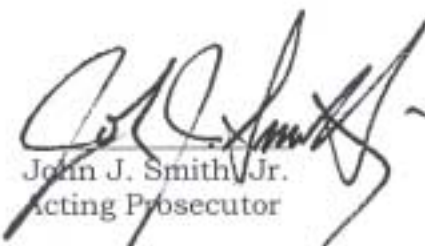
We are pleased to provide you with the Annual Report by the Office of Insurance Fraud Prosecutor (OIFP) for the year 2000.

The report includes investigative and prosecutorial statistics, as well as summaries of significant cases, and describes the efforts to combat fraud which have been undertaken by OIFP during calendar year 2000. As you know, OIFP has now completed two full calendar years of operation. During that time, we believe that OIFP has continued to make great progress toward fulfilling its mission of conducting full and fair insurance fraud investigations and in broadcasting its message of insurance fraud deterrence through both public awareness and vigorous prosecution.

Respectfully submitted,

  
John J. Farmer, Jr.  
Attorney General

  
Kathryn Flicker  
Director, Division  
of Criminal Justice

  
John J. Smith, Jr.  
Acting Prosecutor

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## ACKNOWLEDGMENTS

The Acting Prosecutor would like to thank the following people for their contributions to the preparation of the 2000 Annual Report:

DAG Stephen D. Moore, Liaison to County Prosecutors  
Judy Burton, Administrative Assistant  
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Gloria D. Tennesen, Secretarial Assistant  
AMDCI Quinton W. Collins, Sr.  
DCI Jules Mateo  
Nora Schaffener, Office Manager

The Acting Prosecutor would also like to thank all Deputy Attorneys General, State Investigators and support staff assigned to the OIFP for their outstanding work, dedication and professionalism during calendar year 2000. The number and significance of OIFP's criminal prosecutions continue to draw national recognition. The continued quality of OIFP's civil investigations and the amount of monies collected as insurance fraud fines pursuant to consent orders have served to define the credibility and excellence of OIFP. The commitment and professionalism of each person assigned to OIFP are hereby acknowledged with pride and gratitude.

Finally, the Acting Prosecutor wishes to thank former Insurance Fraud Prosecutor Edward M. Neafsey, and acknowledge his leadership and guidance which served to provide a solid basis upon which the Office of Insurance Fraud Prosecutor could achieve all that it has.

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## PREFACE

The Office of Insurance Fraud Prosecutor (OIFP) was created pursuant to the provisions of the Automobile Insurance Cost Reduction Act (AICRA) P.L. 1998, c.21, on May 19, 1998. As observed by the Legislature in the preamble to the Act, fraud, whether in the form of inappropriate medical treatments, inflated claims, staged accidents, falsification of records, or any other form, must be uncovered and vigorously prosecuted. According to the Legislative statement accompanying the Act, OIFP was established to “provide for a more effective investigation and prosecution of fraud than exists at the present time.”

As required by the Act, the OIFP was established in the Division of Criminal Justice in the Department of Law and Public Safety under the direction of the Insurance Fraud Prosecutor, who is appointed by the Governor, approved by the Senate, and subject to the supervision of the Attorney General.

In order to ensure the effective coordination of the anti-fraud efforts of various state agencies charged with combating insurance fraud, AICRA required, among other things, that certain civil enforcement functions of the Division of Insurance Fraud Prevention in the Department of Banking and Insurance be transferred to the Office of Insurance Fraud Prosecutor pursuant to a plan of reorganization (Reorganization Plan 0007-98), which Governor Christine Todd Whitman presented to the Legislature in June of 1998.

In accordance with the Reorganization Plan, the Division of Insurance Fraud Prevention in the Department of Banking and Insurance was transferred to, and officially became part of, the Office of Insurance Fraud Prosecutor within the Division of Criminal Justice, Department of Law and Public Safety, on August 24, 1998. Assistant Attorney General Edward Neafsey was sworn in as New Jersey’s first Insurance Fraud Prosecutor on October 28, 1998. Upon the departure of Insurance Fraud Prosecutor Neafsey on July 1, 2000 to accept appointment as New Jersey’s first Inspector General, Assistant Attorney General John J. Smith, a career prosecutor in the Division of Criminal Justice and the Office of Insurance Fraud Prosecutor, was appointed as Acting Insurance Fraud Prosecutor.

OIFP is charged under AICRA with the investigation of all types of insurance fraud, and serves as the focal point for criminal, civil and administrative investigations and prosecutions of insurance and Medicaid fraud within New Jersey. OIFP is also responsible for coordinating all insurance fraud programs and activities among state and local departments and agencies to ensure a well integrated, cohesive and uniform statewide strategy for combating insurance fraud. The following constitutes the second Annual Report of OIFP to the Governor and Legislature pursuant to N.J.S.A. 17:33A-24d, which requires that OIFP annually provide a report of activities conducted during the prior calendar year.

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## STATEMENT OF THE PROSECUTOR

The Office of Insurance Fraud Prosecutor (OIFP) has completed two full years of operation. Like the Division of Criminal Justice of which OIFP is part, OIFP has continued to establish itself as a leading law enforcement agency, accepting the most difficult and complex fraud matters for investigation and prosecution. In its first two years of operation, OIFP resolved many of those investigations with results extremely favorable to the State of New Jersey.

It is my firm belief that the wisdom and foresight of the New Jersey Legislature in crafting the Automobile Insurance Cost Reduction Act (AICRA) and creating the OIFP has made New Jersey a leader in insurance fraud detection, investigation and enforcement. New Jersey has the benefit of having three effective enforcement options available to address insurance fraud: criminal investigations and prosecutions; civil investigations and a statutory mechanism to impose civil insurance fraud fines; as well as professional licensing and other administrative sanctions. These three enforcement options provide the corner stones for successful insurance fraud enforcement.

As mandated by the Automobile Insurance Cost Reduction Act (AICRA), the OIFP has successfully assisted in coordinating the conduct of other New Jersey state departments and agencies having responsibility for these three enforcement options. Through thorough OIFP case investigations to fully develop the facts and the evidence, a well informed decision can be made as to whether or not to proceed with one, two or all three of the above enforcement options with respect to a given insurance fraud matter. In this way, OIFP can successfully select the most appropriate legal remedy and develop a comprehensive statewide

insurance fraud enforcement policy.

Criminal investigations and prosecutions serve to deter all those who might be inclined to engage in insurance fraud conduct. I am pleased to report that OIFP has once again achieved some extraordinary criminal case results. Those results are highlighted in this report.

I am also extremely pleased to report that the County Prosecutors' Offices, which play an integral role in OIFP's statewide strategy, have in calendar year 2000, with the assistance of the Office of Insurance Fraud Prosecutor, both in terms of resources and training, also achieved extraordinary criminal case results. Some of those criminal case results are also highlighted in this report.

The very nature of many insurance fraud matters dictates that civil insurance fraud investigations and the imposition of statutory insurance fraud fines are a vital component of New Jersey's insurance fraud enforcement options. While criminal investigation and prosecution is the preferred legal remedy for many insurance fraud matters, it is not always the most appropriate legal remedy. Matters involving small amounts of money stolen or attempted to be stolen, as well as facts and evidence which may not support the extremely high burden of proof required for criminal convictions, are oftentimes best addressed either through the imposition of a civil insurance fraud penalty with the consent of the subject of the civil fraud investigation, or through civil litigation to impose a civil insurance fraud penalty. I am pleased to report that OIFP has achieved significant civil insurance fraud case results and some of those results are also highlighted in this report.

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It should be noted that OIFP has played a significant role in the coordination of professional license sanctions, working closely with other state agencies having responsibility for professional licensing matters. I am therefore pleased to report the results of professional licensing penalties and sanctions in this report.

OIFP also continued to serve as a focal point for continued communications and dialog with the insurance industry. Several working groups were formed during calendar year 2000 consisting of representatives from the OIFP, other state agencies, and insurance carriers to develop recommendations to improve the flow of information required to successfully investigate insurance fraud allegations and to improve the remedies available to the State to address insurance fraud. Several of those recommendations are included at the conclusion of this report.

In addition to civil and criminal case investigations and prosecutions, AICRA imposed a host of other obligations upon OIFP. Among those obligations is the responsibility to educate the public about insurance fraud. OIFP continued its Public Awareness Media Campaign with radio and TV ads designed to broadcast a message of deterrence. These ads followed those public awareness messages broadcast during OIFP's first year of operations, which sought assistance from the public to report suspected insurance fraud.

As noted in this report, OIFP's accomplishments over the past two years have not gone unnoticed. In the year 2000 OIFP's

efforts have been featured in national publications, its Public Awareness Media Campaign has earned prestigious media industry awards, and its staff have been recognized for outstanding performance.

Finally, while it is appropriate to point out some of the successes and highlights of OIFP operations from the past year, I must also point out that insurance fraud is becoming no easier to detect, investigate and prosecute. The conduct of those who engage in fraud is becoming increasingly more sophisticated. Additionally, it is no easier prosecuting these often complex white collar criminal and civil cases in either criminal or civil courts where crimes of violence and other cases frequently fill all too crowded court dockets, resulting in the fact that insurance fraud cases may, at times, be given less priority.

Nevertheless, OIFP remains firmly committed and dedicated to advocating that insurance fraud cases be addressed as significant civil and criminal cases, and that these cases yield results that continue to deter any person who would defraud the insurance industry and the citizens of the State of New Jersey through false insurance claims and similar schemes. As OIFP looks to the future, I believe the coming year promises continued significant criminal and civil case results based on investigations that were opened and worked during calendar year 2000.

This report will begin with a brief summary of some of the insurance fraud case highlights achieved by the Office of Insurance Fraud Prosecutor during 2000.

John J. Smith, AAG  
Acting Insurance Fraud Prosecutor

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## CRIMINAL CASE HIGHLIGHTS

OIFP opened 519 criminal investigations of 746 subjects allegedly involved in insurance or Medicaid fraud and obtained 75 convictions in the year 2000. OIFP prosecutors also obtained sentences for 45 defendants. As the chart below reflects, 19 defendants were sentenced to more than 34 years of incarceration. The

sentences obtained also required 110 years of probation, \$1,130,630 in restitution, and \$403,350 in criminal and civil penalties. The following case summaries demonstrate the continuing progress of OIFP's efforts to investigate and prosecute insurance fraud in its second full year of operation.

Name of Defendant	Date of Sentencing	Jail Time	Type of Insurance Fraud
Spencer, Kevin	1/7/00	3 years	Theft (false health care claims)
Romero, Abigail	1/28/00	3 years	Agent (bribery police accident reports)
Baker, Sheree	2/25/00	30 days	Theft (false health care claims)
Anthony, Mark	5/9/00	5 years	Medicaid fraud (false rx)
Butler, Elaugh	6/23/00	3 years	Theft (false health care claims)
Lester, Lucy	6/30/00	4 years	Theft (false health care claims)
Newman, Willie	6/30/00	90 days	VOP, conspiracy, theft, false health care claims
Ivashenko, Alexander	7/7/00	180 days	Theft (false health care claims)
Hernandez, Fabian	7/7/00	4 years	Possession of stolen cars used in phony insurance claims
McDaniel, Darlene	7/28/00	180 days	Theft (health care claims money from provider)
Rampersad, Vernon	8/4/00	180 days	Medicaid-inflating patient transportation mileage charges
Alvarez, Samuel	10/6/00	94 days	False PIP insurance claim
Usarzewicz, Steven	11/3/00	3 years	Agent fraud
Milman, Boris	11/13/00	60 days	Medicaid fraud (false transportation claims)
Soyfer, Alexander	11/13/00	60 days	Medicaid fraud (false transportation claims)
Schultz, Anthony	12/1/00	364 days	Added name to police report to make false insurance claim
Carmona, Yolanda	12/1/00	162 days	Medicaid, unlicensed practice of medicine, endangering welfare of a child
*Murry, Tommie	1/5/01	3 years	Medicaid fraud (false drug and counseling claims)
*Fagan, John	1/12/01	3 years	Writing a false police report for a stolen vehicle
<b>TOTAL 34 YEARS - 10 months</b>			
*As reflected above, the Murry and Fagan sentences were not imposed until after January 1, 2001. It is anticipated that these two sentences will also be reported in the 2001 Annual Report, however they are included here in as much as both Murry and Fagan entered guilty pleas as part of significant OIFP prosecutions during 2000.			

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## INSURANCE FRAUD UNIT - CASE HIGHLIGHTS

### HEALTH CARE CLAIMS FRAUD

#### Fraud by Licensed Professionals

**State v. Carl Lichtman, et al.** As OIFP previously reported, one of the largest insurance fraud cases in the State's history continued to advance significantly during the past year. Carl Lichtman, a former licensed psychologist, conspired with nearly 200 people to defraud the State Health Benefits Plan and approximately 35 other insurance carriers or health care plans out of more than \$3.5 million for no show treatments for "neurotic depression." Lichtman pocketed the money he received for the bogus treatments and then kicked back 25 percent to those persons who had provided their insurance information to him to submit the fictitious claims. Lichtman was able to steal millions from the carriers because he started a referral system in order to recruit new "patients" so he could fraudulently bill their carriers. Lichtman would typically pay \$750 to a "recruiter" for each person brought into the scheme. Some of the conspirators recruited as many as a dozen people into the scheme.

On February 18, 2000, **Kevin Spencer**, an active recruiter of "patients," was sentenced to a three year state prison sentence, required to pay an insurance fraud fine of \$10,000 and restitution of \$11,094. **Lucy Lester** was convicted following trial of conspiracy, theft by deception and official misconduct. She was sentenced on June 30, 2000 to four years state prison and ordered to make restitution of \$7,965 to the State Health Benefits Program. **Elaugh Butler** was also convicted following trial of conspiracy, theft

by deception and official misconduct. She was sentenced to three years state prison and ordered to make restitution to the State Health Benefits Program. **Sheree Baker**, a lower level conspirator, was sentenced to 30 days in the Bergen County Jail, restitution of \$2,950 and insurance fraud fines in the amount of \$2,500. **Willie Newman** was sentenced to 90 days in the Bergen County Jail for violating probation based on his conspiracy with Dr. Lichtman. By the close of 2000, approximately 190 individuals had been prosecuted for involvement in the Lichtman conspiracy. Cases against the remaining co-defendants are pending in court.

**State v. Alexander Ivashenko** On July 7, 2000, Alexander Ivashenko, a formerly licensed physical therapist and Chief Operating Officer for a string of physical therapy offices in New York and northeast New Jersey, was sentenced for theft in his "pocketing" of excess medical claims payments which resulted in the victimization of over 100 patients and insurance organizations. Ivashenko was sentenced to five years probation conditioned on serving 180 days in county jail, 200 hours of community service and the payment of \$75,000 in restitution. The restitution payment, which Ivashenko made immediately following his sentencing, will be divided among as many as 48 patients, and 58 insurance carriers and self-insured organizations.

**State v. Anthony B. Spain, D.M.D.** On December 11, 2000, Anthony Spain pled guilty to an Accusation charging him with falsifying records relating to orthodontic

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treatment he had provided to two minor children. He had received Medicaid and direct payments from the children's mother over a three year period, but in a sum less than he normally would have been paid. He sought to make up the shortfall through a claim to a dental insurance plan (Delta Dental) in which the mother had recently enrolled, misrepresenting the period of treatment and billing prospectively for work already completed and paid for. Spain voluntarily made restitution to the carrier while the investigation was pending. This case was scheduled for sentencing on February 16, 2001. It will also be referred to the dental Professional Licensing Board for appropriate professional licensing action.

**"Slip and Fall"**

***State v. Bruce Robert Tarlowe*** On April 13, 2000, Bruce Robert Tarlowe, a licensed insurance agent in the State of New Jersey, was charged by a State Grand Jury with health care claims fraud and attempted theft by deception. It is alleged that Tarlowe staged a phony "slip and fall" accident, and claimed that he fell as the result of lettuce lying on the floor of the produce aisle in an A&P Supermarket. The indictment further alleges that Tarlowe submitted more than 20 health insurance claims, totaling more than \$5,700 to United States Life Insurance Company for injuries purportedly resulting from the accident. During the court proceedings, Tarlowe challenged the appropriateness of charging health care claims fraud based on this conduct, but the court denied his motion. This case remains pending in court.

**Phony Medical Bills**

***State v. Sharon DaCosta-Barrett, et al.***

On February 25, 2000, Sharmaine Wilson was sentenced, following her guilty plea to a charge of theft from Blue Cross/Blue Shield, to five years probation. Her husband, Edwin Wilson entered a plea and was admitted to the Pre-Trial Intervention Program. Previously, co-defendant Sharon DaCosta-Barrett, a former Blue Cross/Blue Shield health insurance claims processor, was sentenced to four years in state prison for causing the issuance of fraudulent claims checks in excess of \$97,000 to her husband, Clive Barrett; her sister, Sharmaine Wilson; and her brother-in-law, Edwin Wilson. As a condition of Ms. Wilson's probation and Mr. Wilson's admission into the Pre-Trial Intervention Program, they agreed to be jointly responsible for the payment of \$32,562 in restitution, which represented one third of the total dollar amount stolen. Clive Barrett pled guilty to theft on March 17, 2000. On June 2, 2000, he was also sentenced to five years probation conditioned upon the payment of \$32,562 in restitution.

***State v. The Healing Clinic, Hudson Neurological, Inc. Florida Medical Supply and Mario Macias***

Three now defunct corporations, The Healing Clinic Incorporated, Hudson Neurological, Inc. and Florida Medical Supply, and their former manager and corporate officer, Mario Macias, were previously indicted for defrauding numerous insurance carriers of more than \$86,000. According to the indictment, the medical providers billed the health insurers for medical services that were never rendered and for medical equipment that was never provided. On March 17, 2000, the corporate defendants

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entered guilty pleas. The Healing Clinic pled guilty to one count of attempted theft by deception, and was later sentenced to pay an insurance fraud penalty of \$10,000, as well as other fines, and restitution in the amount of \$48,041. Also on that date, Hudson Neurological pled guilty to one count of attempted theft by deception, and was later sentenced to pay a civil administrative penalty in the amount of \$10,000, as well as other fines and restitution in the amount of \$33,572. Florida Medical Supply also pled guilty to one count of attempted theft by deception, and was later sentenced to pay an insurance fraud penalty of \$10,000, as well as other fines, and restitution in the amount of \$5,283. The case against the individual defendant, Mario Macias, is still pending in court.

***State v. Carrell Martin and Darlene McDaniel*** On March 8, 2000, Carrell Martin and Darlene McDaniel were indicted on second degree charges of conspiracy and theft by deception. The indictment charged Darlene McDaniel, an employee of Family Health Center (FHC), a subsidiary of Union Hospital, with diverting approximately \$77,000 in checks issued by US Healthcare to FHC by portraying Martin as an osteopathic physician entitled to the money. After being diverted by McDaniel, the checks were ultimately deposited into Carrell Martin's bank account and the proceeds split by McDaniel and Martin. The stolen money represented payments to FHC for medical services provided to various patients. On May 15, 2000, Carrell Martin pled guilty to conspiracy charges and was sentenced to three years probation and restitution of \$33,500. Defendant McDaniel pled guilty to conspiracy and theft by deception charges and was

sentenced to 180 days in the Union County Jail as a condition of probation, ordered to make restitution of \$33,500 and ordered to perform 200 hours of community service.

***State v. Joanne Panico*** On May 26, 2000, a former insurance adjuster, pled guilty to an Accusation charging health care claims fraud. Joanne Panico, formerly employed by Blue Cross/Blue Shield as a Team Service Representative, was charged with defrauding her employer of approximately \$3,500 by electronically manipulating claims in order to issue checks in her husband's name for services never rendered. Panico was sentenced to four years probation and was ordered to pay restitution to Blue Cross, as well as a \$5,000 civil insurance fraud fine.

***State v. Barbara Moran*** On November 28, 2000, Barbara Moran pled guilty to health care claims fraud and forgery arising out of her submission of several fraudulent health care claims to Prudential Insurance Company. Moran filed the fraudulent claims for reimbursement of medical services, which she claimed she received and paid for, but were never actually provided. Moran submitted receipts from various doctors, which she altered, to support her fraudulent claims. Under the plea agreement, Moran is required to pay a \$5,000 civil insurance fraud fine. Her sentencing was scheduled for January 19, 2001.

***State v. Charlene Vaughan a.k.a. Charlene Jordan*** On June 16, 2000, Charlene Jordan was sentenced to three years probation and ordered to make \$9,015 in restitution after pleading guilty to theft by deception. Jordan, who then used her married name of Charlene Vaughan,

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worked as a claims adjuster for GRE Insurance in Princeton. At GRE, she defrauded her employer by issuing fraudulent payments to an outside consultant for fictitious services. Vaughan forged the consultant's signature and cashed the checks.

***State v. Xun-Cheng Huang*** On February 25, 2000, a State Grand Jury returned a ten count indictment against Xun-Cheng Huang, a former professor of mathematics at New Jersey Institute of Technology (NJIT). The Hudson County resident was charged with one count of health care claims fraud, three counts of theft by deception, falsification of records relating to medical care, and three counts of forgery.

The indictment alleges that from January, 1995 through September, 1996, while employed at NJIT, Huang submitted over 100 false claims for medical services in excess of \$40,000 for reimbursement through the State Health Benefits Program. Upon leaving his employment at NJIT, he is alleged to have submitted an additional 20 fraudulent claims in excess of \$2,500 under insurance coverage obtained by his daughter while a student at the University of Pennsylvania. For most claims, the named medical provider did not exist and was allegedly a fictitious provider created by Huang. For those claims where the medical provider did exist, the claimed services were never provided. Huang failed to appear for his arraignment and a warrant for his arrest has been issued.

***State v. Lorna Kitson*** On April 14, 2000, Lorna Kitson was indicted for attempted theft by deception stemming from her alleged submission of health care bills in the name of herself and others to two insurance carriers. Between 1995 and 1997, Kitson, who had worked for Hackensack University Medical Center, allegedly submitted bogus health insurance claims to Connecticut General Life Insurance Company (CIGNA) and Provident Life and Accident Insurance Company totaling more than \$220,000 and received approximately \$146,000 from those carriers. CIGNA's fraud unit referred the investigation to OIFP in March 1999.

## **AUTO INSURANCE FRAUD**

### **False Auto Theft Claims**

***State v. Tok Hwan Bae*** On September 6, 2000, Tok Hwan Bae pled guilty to a one count Accusation charging attempted theft by deception for his role in the submission of phony invoices to Allstate Insurance Company. In October 1998 Bae filed a stolen vehicle claim with Allstate for his 1990 Mercedes 300 SL, allegedly stolen from a restaurant in New York. He submitted two invoices, later proven to be bogus, in support of his \$4,000 claim for custom wheels. Bae received a six month PTI term and paid a \$3,000 civil fine.

***State v. John B. Fagan*** On October 12, 2000, West Orange police officer John B. Fagan pled guilty to an Accusation charging one count of official misconduct based on his writing of a false West Orange Police automobile theft report stating that a Land Rover Discovery SUV had been stolen. Fagan also admitted that he had written a second false police report representing that his own vehicle, a Jeep Cherokee had been

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stolen. Automobile theft and related claims totaling approximately \$40,000 were submitted to three separate insurance companies. On January 12, 2001 Fagan was sentenced to three years in state prison, a civil insurance fraud fine of \$8,000 and restitution in the amount of \$9,056.

### **Fake Property Damage Claims**

***State v. Fabian Hernandez*** On June 19, 2000, Fabian Hernandez pled guilty to a one count Accusation charging receiving stolen property. On July 7, 2000, Bergen County Superior Court Judge Meehan sentenced Hernandez to a four year state prison sentence for his role in possessing several stolen vehicles utilized in a property damage insurance fraud scheme. Among the stolen vehicles investigators found on Hernandez's North Bergen lot were a 1990 BMW 535, a 1992 BMW 325i, a 1996 Nissan Maxima, a 1992 Lexus GS 400, and a 1995 Ford Thunderbird. Hernandez received the vehicles, valued at approximately \$82,000, between June 1995 and November 1997 and then changed their vehicle identification numbers to file bogus property damage claims with the carriers.

### **Jump In Claims**

***State v. Anthony Schultz*** On December 1, 2000, Anthony Schultz, was sentenced to five years probation conditioned on his serving 364 days in the Camden County Jail for causing his name to be added to a Pennsauken Police automobile accident report. After being identified in the Pennsauken Police accident report as having been involved in the accident when in fact he was not, a fraudulent practice known as a "jump in," Schultz then filed an automobile insurance Personal Injury

Protection (PIP) claim seeking more than \$2,500 from CNA Insurance Company for medical visits which he purportedly underwent as the result of the accident. Schultz had entered a guilty plea to an Accusation charging health care claims fraud on September 9, 2000.

### **"Give-Up" Schemes**

***State v. Pablo Cordero, et al.*** In February 1999, New Jersey State Police Auto Unit and OIFP investigators arrested Pablo Cordero and twelve other New Jersey residents for their roles in "giving up" their vehicles to a New York Police Department police officer posing as a "chop shop" operator. On January 28, 2000, Cordero was sentenced to three years probation for his role in bringing vehicles to the undercover New York garage. Additionally, Cordero agreed to cooperate with NJSP Auto Unit detectives and OIFP investigators to pose as a tow truck driver who could dispose of "give up" vehicles to develop other cases. From February 1999 through October 2000, Cordero brought investigators eleven vehicles with an approximate value of \$105,000.

On February 10, 2000, NJSP Auto Unit detectives, in conjunction with OIFP investigators, arrested 20 defendants as part of this "sting" operation. The arrested defendants included eight middlemen and twelve owners, including two municipal police officers.

Each of the defendants was charged with conspiracy to commit theft by deception. The owners allegedly filed false police reports and fraudulent affidavits of vehicle theft to support their claims to the carriers that their vehicles had been stolen.



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Six different insurance carriers were defrauded into paying stolen vehicle claims.

***State v. Mark Francekevich*** On February 4, 2000, the Office of Insurance Fraud Prosecutor filed an Accusation and accepted a guilty plea from Mark Francekevich to charges of attempted theft by deception and false swearing. The charges were based on Francekevich's fraudulent insurance claim to Rutgers Insurance Company that his Mitsubishi Eclipse had been stolen when it was actually "given up," and on the false affidavit of vehicle theft he submitted in support of that claim. On March 10, 2000, Francekevich was sentenced to two years probation and a civil insurance fraud fine of \$4,000.

***State v. Bruce Michael Garry*** On October 13, 2000, Bruce Michael Garry was sentenced to two years probation and payment of a civil insurance fraud fine in the amount of \$1,000. Garry was sentenced for his conduct in "giving up" a Nissan Pathfinder, and falsely reporting to the West New York Police Department that the Pathfinder had been stolen. After the false report to the police, Garry submitted a fraudulent insurance claim in the approximate sum of \$27,725 to State Farm Insurance Company, falsely claiming that the Nissan Pathfinder had been stolen.

### **Staged Accidents**

***State v. Anhuar Bandy, et al.*** The prosecution of this alleged large scale staged accident ring advanced significantly in 2000. Previously, ten people were arrested and search warrants were executed at eight chiropractic clinics and medical offices in several New Jersey

locations in the first large-scale, organized auto insurance fraud ring prosecuted under the new Health Care Claims Fraud Act. Arrest warrants were also obtained for two additional defendants who remain fugitives. The complaints charge Anhuar Bandy with being a leader of organized crime, and with conspiracy to commit racketeering and health care claims fraud. Bandy is charged with paying people to stage automobile collisions in order to obtain patients for numerous chiropractic clinics he allegedly owned and operated, thereby generating billings under the Personal Injury Protection (PIP) portion of automobile insurance policies. As a result, OIFP has identified numerous allegedly fraudulent claims submitted to insurance carriers throughout the state. Another target of this investigation, Alejandro Ventura, was charged with conspiracy to commit racketeering and health care claims fraud for arranging the automobile collisions and recruiting the participants.

During the past year, six individuals involved in staged accidents, some staged accidents also involving undercover State Investigators, have entered guilty pleas. Five of the six individuals entered guilty pleas to conspiracy to commit theft by deception. Another entered a guilty plea to a charge of attempted theft by deception for causing claims in excess of \$10,000 to be submitted to Selective Insurance Company for treatment purportedly rendered to him at a Bandy operated clinic, when in fact, he had not even been a passenger in the vehicle involved in the staged accident. Total insurance claims for the four staged accidents in which the arrested defendants allegedly participated was in excess of \$108,000. The cases against several of

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those arrested, as well as against others identified as the result of extensive investigation, is pending further prosecution.

### **Fake Accidents**

***State v. Phillip Major, et al.*** This case also significantly advanced as 18 defendants pled guilty to charges of theft or attempted theft by deception during year 2000 as part of the continuing investigation and prosecution of former East Orange police officer Phillip Major and others. Major previously pled guilty to official misconduct and related charges for fabricating police accident reports. The pleas from these 18 defendants accounted for some \$167,000 of the \$900,000 in fraudulent insurance claims which have been tied to Major's malfeasance. It is anticipated that, with the cooperation of these defendants, as required under the terms of their guilty pleas, additional subjects will be charged in 2001.

In a related case, ***Mark Bendet*** (a disbarred attorney), ***Imelda Toquero*** (a nurse and Bendet's estranged wife) and ***Eddie Boyd*** (a suspected runner) were indicted in 2000 on charges of second degree bribery and second degree conspiracy to commit bribery and official misconduct stemming from their alleged involvement with a medical practice known as Metro Medical Services. On June 9, 2000, OIFP caused the arrests of Bendet and Toquero in Texas and their return to New Jersey to face those charges.

### **Using "Runners"**

***State v. James Lee Campbell*** On December 2, 2000, James Lee Campbell, a runner, pled guilty to a State Grand Jury

indictment charging Campbell with conspiracy and bribery in official matters. The indictment was based on Campbell's payment of approximately \$1,200 to an undercover Newark police officer to obtain Newark Police automobile accident reports in order for Campbell to solicit the persons identified in those reports for filing insurance claims. Campbell is due to return to court for sentencing later this year.

***State v. Abigail Romero*** On January 28, 2000, Abigail Romero, a "runner" who paid approximately \$1,800 in bribes to an undercover Newark police officer to purchase police reports for use in the solicitation of persons to make automobile insurance claims, was sentenced to three years in state prison. She had previously been indicted by a State Grand Jury and charged with conspiracy, bribery in official matters, and official misconduct for paying the undercover officer bribe money to obtain police automobile accident reports. Romero would then refer the persons identified in those police accident reports to receive chiropractic treatment and file automobile insurance claims.

***State v. Jerome F. Bollettieri and Thomas DiPatri*** On October 20, 2000, the Office of Insurance Fraud Prosecutor obtained and executed arrest warrants for Lt. Jerome F. Bollettieri, the officer in charge of the Camden County Police Department Records Section, and retired Camden Police Department Sergeant Thomas DiPatri. Bollettieri and DiPatri were arrested and charged with conspiracy to commit official misconduct and official bribery. It is alleged that they accepted money in return for providing Camden

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Police Department automobile accident reports to other individuals in order for those individuals to solicit the persons identified in those police accident reports to become patients and submit automobile insurance claims. The OIFP's investigation in this matter is continuing and additional charges are anticipated.

### **Phony Auto Insurance Documents**

***State v. Joann Sullivan*** On December 15, 2000, Joann Sullivan waived indictment and pled guilty to a one count Accusation charging theft by deception in the third degree. The indictment charged Sullivan with obtaining \$8,855 from First Trenton Indemnity by creating or reinforcing the false impression that she was entitled to compensation for lost wages and essential services under the Personal Injury Protection (PIP) component of her automobile policy as a result of an accident she was involved in on July 23, 1997. The investigation revealed that Sullivan falsified three letters purportedly from her medical providers in order to collect lost wages and essential services from her automobile carrier. Essential services include payment by an insurance carrier for assistance with household work, child care and other miscellaneous chores which would have normally been performed by the insured. These payments were made directly to Sullivan. Sullivan was scheduled to be sentenced on February 16, 2000.

### **PROPERTY INSURANCE FRAUD**

***State v. Athena J. Tomasso*** On September 15, 2000, Athena J. Tomasso was indicted on attempted theft and forgery charges in connection with a false homeowners' claim. Tomasso allegedly

made a claim worth \$15,935 on her homeowners' policy for vandalism and property allegedly damaged or stolen during a burglary. To support her claim, Tomasso allegedly provided false information to the insurance carrier about the items that were stolen or damaged. The false information included receipts for property that was returned to the seller before the burglary, and forged receipts for nonexistent purchases. The carrier stopped payment on the claim after discovering the bogus receipts. The case is pending in Superior Court.

***State v. Paul LoPapa*** On October 25, 2000, Paul LoPapa was indicted by a State Grand Jury on 15 counts charging him with theft and attempted theft by deception, misconduct by a corporate official, failure to file a New Jersey Income Tax-Resident Return, failure to pay New Jersey Gross Income Tax with intent to evade, falsifying records and forgery. The investigation leading to the indictment was conducted jointly by the New Jersey State Police and OIFP. In addition to a fraudulent real estate financing scheme, the indictment charges LoPapa with attempting to file a fraudulent insurance claim under his homeowners' policy in the sum of \$33,400 for purported water damage. The case is pending trial.

### **LIFE INSURANCE FRAUD**

***State v. Lucille Dennis*** On October 16, 2000, the State Grand Jury returned a 14 count indictment against Lucille Dennis for allegedly attempting to collect accidental death benefits for her late husband and brother, both of whom died natural deaths. Typically, these attempts were allegedly

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made by altering police reports and/or death certificates to reflect accidents which never occurred. These attempts are alleged to have taken place between 1995 and 1998 against five different insurance companies. The most recent attempt involves an alleged effort to collect on a \$1 million accidental death policy. In that case, it is charged that Dennis enrolled her husband for the accidental death benefits three months after he had already passed away. Dennis is currently a fugitive and a bench warrant has been issued for her arrest.

### **INSURANCE AGENT FRAUD**

***State v. Steven M. Usarzewicz*** On November 3, 2000, Steven M. Usarzewicz, a formerly licensed insurance producer and securities dealer, was sentenced to three years in state prison after pleading guilty to the looting of over \$100,000 from the trust funds and insurance policies of a client's two minor children. On December 8, 2000, the sentencing court also ordered that Usarzewicz make payment of restitution in the sum of \$106,810.

***State v. Joseph Greenfield*** On November 9, 2000, Joseph Greenfield, a licensed insurance agent in New Jersey, pled guilty to an Accusation charging theft by deception. The Accusation charged Greenfield with theft of approximately \$65,232 representing insurance premiums for a variety of insurance policies including commercial auto and multi-peril insurance, accident/sickness coverage and workers' compensation, along with a "floater" for equipment damaged or lost, which he sold to the Marlboro Township Board of Fire Commissioners, Fire District #2. Greenfield purposely overcharged the fire district for the insurance coverage and kept the excess

money. On January 12, 2001 Greenfield was sentenced to three years probation, and restitution in the amount of \$65,232. Because he was a licensed insurance agent, the OIFP referred Greenfield's criminal conviction to the Department of Banking and Insurance for appropriate action with respect to Greenfield's insurance agent's license.

***State v. Richard Leavitt*** On August 25, 2000, a former licensed insurance producer who operated an insurance agency in Somerville, NJ, pled guilty to theft by deception and falsifying records for failing to remit \$16,924 in premium funds to an insurance company on behalf of an insured for an automobile policy. Leavitt fraudulently collected the premium funds from the insured, Atlantic Sports Management, for coverage for seven vehicles which were purportedly insured by New Hampshire Insurance Company, even though the policy had not been renewed and was no longer in effect. Leavitt kept the premium money and used it for personal expenses. Leavitt also admitted to producing a fraudulent auto insurance identification card for one of the vehicles purportedly insured under the policy. On October 20, 2000, he was sentenced to three years probation and was ordered to pay full restitution and a \$5,000 insurance fraud fine.

### **CONTRACTOR FRAUD**

***State v. Jeffrey Nemes*** On December 18, 2000, Jeffrey Nemes, a Hamilton Twp. police officer was charged with theft by failure to make required disposition of money in excess of \$75,000. The indictment alleges that Nemes, who operated a construction business in

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addition to being a Hamilton Twp. police officer, stole in excess of \$75,000 in insurance claim money from several persons who suffered property damage to homes or commercial businesses that they owned. This case remains pending in court.

### **PUBLIC ADJUSTER FRAUD**

***State v. Michael Winberg*** On September 22, 2000, Michael Winberg, a licensed public adjuster, was indicted for allegedly stealing over \$15,000 which represented the insurance proceeds settlement checks from two clients. The indictment alleges that Winberg, in his capacity as a licensed public adjuster working for American Adjustment Agency of Bordentown, New Jersey, was retained by two homeowners to negotiate settlements with Prudential Insurance Company following damage to their homes from a storm. Prudential issued five checks, each made payable to one of the homeowners and American Adjustment Agency as co-payees. Winberg, allegedly had each homeowner endorse the checks, then cashed them and kept the money for his own personal use. The case is pending in court.

### **LABOR FRAUD<sup>1</sup>**

As a result of a cooperative effort among OIFP, the Labor Prosecutions Unit of the Division of Criminal Justice, and the New Jersey Department of Labor, the following unemployment insurance fraud cases and workers' compensation cases were filed:

### **Unemployment Insurance Fraud**

***State v. Renee Brown; State v. Zina Shivers*** On August 29, 2000, two persons were separately indicted by a State Grand Jury for allegedly falsifying official documents in order to obtain thousands of dollars in unemployment insurance to which they were not entitled. Allegedly Brown received more than \$15,000 and Shivers over \$8,000.

***State v. Anthony Pagan; State v. Mark DiNacola; State v. Vanegas Wilborne; State v. Darnell Toliver; State v. Bernard Wilson*** On September 29, 2000, five persons were separately indicted by a State Grand Jury for allegedly falsifying official documents in order to obtain thousands of dollars in unemployment insurance to which they were not entitled. Allegedly, Toliver received over \$8,000, DiNacola received almost \$12,000 and Pagan received over \$8,500.

***State v. Walter Harris; State v. Constance Odoemena-Henderson; State v. Pamela Mundy; State v. Andegdo Naccillo*** On December 4, 2000, four persons were separately indicted by a State Grand Jury for allegedly falsifying official documents in order to obtain thousands of dollars in unemployment insurance to which they were not entitled. Allegedly Harris received more than \$9,000 and Odoemena-Henderson received over \$7,000.

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<sup>1</sup> All cases reported in the Labor Fraud section of OIFP's Annual Report may also be reported elsewhere by the Division of Criminal Justice.

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***State v. Johnny Medrano; State v. Gregory K. Jones; State v. Denise Dinielli; State v. Charles Gosha; State v. Camille Buffa; State v. Frank Tarantino; State v. Deborah Brown*** On December 18, 2000, seven persons were separately indicted by a State Grand Jury for allegedly falsifying official documents in order to obtain thousands of dollars in unemployment insurance to which they were not entitled. Allegedly, Medrano received more than \$12,000, Tarantino received over \$12,000, Buffa received over \$9,000 and Jones received almost \$9,000. These cases are pending in Court in various stages of prosecution.

**Workers' Compensation Insurance Fraud**

***State v. Lawrence Ford, Sr.*** On September 18, 2000, Lawrence Ford, Sr. was sentenced pursuant to an indictment charging him with theft by deception and forgery for cashing more than \$150,000 worth of workers' compensation checks issued to his deceased father. Ford was sentenced to five years probation and given five days jail credit. The case had been referred by the Division of Workers' Compensation after new computer technology designed to uncover workers' compensation fraud revealed potential fraud.

***State v. Maude E. Huggins*** On November 8, 2000, Maude E. Huggins pled guilty to an Accusation charging second degree theft by deception, third degree theft by deception and two counts of fourth degree forgery. The charges stem from her falsely endorsing \$200,430 worth of benefit checks from New Jersey Manufacturers Insurance Company and the State of New Jersey. By pleading guilty, she admitted that she fraudulently obtained disability benefits from the Second Injury Fund, a program

operated by the Division of Workers' Compensation within the New Jersey Department of Labor. Huggins admitted that she forged the name of a deceased associate, who had legitimately received the benefit payments until his death in September 1989. She also admitted to fraudulently obtaining \$63,784 in disability benefits from New Jersey Manufacturers Insurance Company for the same time period and same deceased associate.

***State v. Leonard Lipman*** On September 25, 2000, Leonard Lipman pled guilty to an Accusation charging failure to provide workers' compensation coverage. Lipman admitted that an employee was injured while working for him at Serene Restaurant Equipment Corporation and agreed to pay \$73,248 to the Uninsured Employer Fund of the New Jersey Department of Labor.

**MEDICAID FRAUD UNIT - CASE HIGHLIGHTS**

**Medical Treatment Fraud**

***State v. Tommie Murry and The Excel Center, Inc.*** On August 1, 2000, defendants Tommie Murry and The Excel Center, Inc., a subsidiary of Facilities Management Associates, Inc., entered guilty pleas in Superior Court, Mercer County, to the crime of theft by deception pursuant to the terms of a plea agreement negotiated with OIFP. Murry, formerly the Executive Director of the Excel Center, together with that corporation, admitted to defrauding the Medicaid Program of approximately \$600,000 through the submission of false claims for group and individual therapy sessions which never occurred. The Excel Center had operated as a substance abuse treatment center in Vineland, New Jersey.

As a result of these guilty pleas, on

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January 5, 2001, defendant Murry was sentenced to three years in state prison and the corporation was sentenced to and paid a fine of \$10,000. Both defendants consented to an order debarring them from participation in the Medicaid Program and waived any claims to approximately \$1.7 million that had previously been forfeited in connection with the case.

***State v. Yogendra Sharma*** Yogendra Sharma, the sole owner and operator of Advanced Optical, previously pled guilty to a one count Accusation of health care claims fraud, for recklessly committing health care claims fraud in the course of providing professional services. Sharma, an optometrist, billed Medicaid for services which were never prescribed by a physician and which were never provided by Sharma to Medicaid recipients. The majority of his patients were elderly. On February 8, 2000, Yogendra Sharma was sentenced in Mercer County to four years probation, ordered to pay restitution in the amount of \$2,951, and a criminal fine of \$12,000, and to serve 100 hours of community service. Additionally, he was debarred from Medicaid and any similar health insurance programs for a minimum of five years. The judge ordered Sharma's optometrist license to be suspended for one year during which time he is barred from the practice of the profession.

***State v. Alice Yolanda Carmona*** On October 23, 2000, defendant Carmona pled guilty to a one count Accusation charging Medicaid fraud. Carmona was an employee of a mental health clinic and after the doctor left the clinic, Carmona, who was not licensed as a medical care practitioner, continued to provide mental health counseling to Medicaid patients.

On December 1, 2000, Carmona was sentenced to three years probation and 162 days timed served in the Cumberland County Jail. She was also debarred from the Medicaid program for a minimum period of five years. As indicated elsewhere in this report, Carmona also pled guilty to Cumberland County charges relating to the unlicensed practice of medicine.

#### **Medicaid Laboratory Fraud**

***State v. Venditti Clinical Laboratory, et al.*** On August 1, 2000, Venditti Clinical Laboratory of South Plainfield, Mohammed Saleem, Iftikhar Hussain and Abdul Hafeez Raja, owners and operators of Venditti Clinical Laboratory were indicted for conspiracy, Medicaid fraud and misconduct by a corporate official. The defendants allegedly paid almost \$347,000 in kickbacks to encourage clinic owners to submit blood samples to the laboratory to undergo an expensive panel of diagnostic tests. All the samples submitted were from Medicaid recipients and paid for by the Medicaid Program. The defendants allegedly attempted to hide the kickback payments by writing checks from the Venditti business account to fictitious business entities controlled by the various clinic owners. This case is pending trial in Middlesex County.

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***State v. Janet Scarpitta*** On October 23, 2000, Janet Scarpitta, the former manager of Roseville Medical Center in Newark, and Amad, Inc., also in Newark, was indicted for conspiracy, Medicaid fraud, and theft by deception. Scarpitta was charged with fabricating blood requisition forms in connection with fraudulent blood tests purportedly performed by United Diagnostic Laboratory and causing Medicaid to be billed approximately \$129,991 for expenses related to the purported blood testing. In addition, while working as office manager of Amad, Inc., Scarpitta is alleged to have deposited into her bank account 17 checks totaling \$5,877 made payable to three doctors, without the authorization of those doctors. The case is pending trial in Monmouth County.

**Medicaid Drug Fraud**

***State v. Mark Anthony*** On May 9, 2000, Anthony was sentenced to five years in prison after he pled guilty to one count of health care claims fraud. Anthony engaged in a scheme to defraud the Medicaid Program by forging prescriptions for high-priced drugs. Using stolen or purchased Medicaid cards, he had these prescriptions filled at pharmacies which in turn billed the Medicaid Program. Anthony then sold the drugs on the street for a fraction of their value. OIFP investigators from the Medicaid Fraud Section, were able to determine that Anthony was responsible for over \$250,000 in Medicaid billings before he was apprehended.

***State v. Hanan Selim, Wail Aly and Paterson Community Pharmacy*** On March 3, 2000, a State Grand Jury indicted the defendants for conspiracy and Medicaid fraud. Additionally, Hanan Selim, a licensed pharmacist, was charged as a

practitioner with one count of health care claims fraud. Aly was also indicted for one count of health care claims fraud as a non-practitioner. The defendants owned and operated Paterson Community Pharmacy in Paterson. It is alleged that the defendants purchased prescriptions for Serostim, an expensive anti-AIDS medication. It is also alleged that the defendants did not dispense the medication but submitted a claim for reimbursement to the Medicaid Program, and received approximately \$170,000 in Medicaid payments. It is further alleged that in an attempt to cover up their crime, the defendants submitted false invoices to establish that their inventory contained the amount of drugs provided. This matter is pending in Passaic County.

**Medicaid Transportation Fraud**

***State v. I&I Invalid Coach, Imad Elbashir and Imadelin Khair*** On November 29, 2000, Imad Elbashir, Imadelin Khair and I&I Invalid Coach were indicted for conspiracy, health care claims fraud, theft by deception, Medicaid fraud, and corporate misconduct. I&I was an invalid coach provider in Clifton, New Jersey, owned by defendants Imad Elbashir and Imadelin Khair, that provided non-emergency medical transportation to Medicaid recipients. It is alleged that, between November 15, 1995 and July 27, 1999, I&I inflated mileage on claims submitted to the Medicaid Program and received \$90,000 more than it was entitled to for services rendered. In addition, the defendants are alleged to have paid cash kickbacks to several Medicaid recipients in exchange for their continued patronage. The matter is pending in Passaic County.



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***State v. Lakshminarine Rampersad*** On August 4, 2000, Rampersad, the owner of First Invalid Coach Company in Landing, Morris County, was sentenced to 180 days in the Morris County Jail and placed on probation for three years. Rampersad also was disqualified from participation as a transportation provider in the New Jersey Medicaid Program for a minimum period of eight years and relinquished all rights to \$172,400 in claims submitted by him that had been held in abeyance until the conclusion of this case. This case was referred to the Medicaid Fraud Section in the OIFP by the Division of Medical Assistance and Health Services. An audit had revealed unusually high mileage charges which was confirmed by OIFP investigation.

***State v. Genady Chulak; State v. Elana Bilenkin*** On December 14, 2000, a jury found Genady Chulak, owner of GGE Impact Corp. t/a Medicall, guilty of theft by deception, Medicaid fraud, and misconduct by a corporate official. Chulak defrauded the Medicaid Program by submitting approximately \$400,000 in false claims. He falsely certified to the Medicaid agency the mileage driven to transport Medicaid recipients, which was greatly in excess of the mileage actually driven. Additionally, Chulak had provided illegal kickbacks to Medicaid recipients in the form of cash, checks and other valuable items. Sentencing for Chulak was scheduled for February 20, 2001. On December 5, 2000 Elana Bilenkin, wife of Genady Chulak and co-owner of GGE Impact Corp. t/a Medicall pled guilty to one count of Medicaid fraud, for knowingly and willfully making false statements of material fact on Medicaid claim forms, and one count of Medicaid fraud for offering kickbacks in connection

with the furnishing of Medicaid services. Sentencing for Bilenkin was scheduled for February 5, 2001.

***State v. Alaa Baker and Ali Baker*** On April 28, 2000, Alaa and Ali Baker, owners of Royal International Trade and Services, Inc., were indicted by a State Grand Jury for conspiracy, theft by deception, misconduct by a corporate official and Medicaid fraud. The defendants, through their company, provided transportation services to Medicaid recipients in the Monmouth County area. They allegedly submitted approximately 1,902 fraudulent claims for services not rendered and inflated mileage charges on other claims resulting in losses of approximately \$138,380 to the Medicaid Program. Both defendants were arrested in Virginia and, after an extradition hearing, ordered to appear in Monmouth County Superior Court. Both defendants failed to appear and arrest warrants were issued for them.

***State v. Rafik Raziq*** On November 30, 2000, a State Grand Jury returned an indictment charging Rafik Raziq with theft by deception, misconduct by a corporate official and Medicaid fraud. Raziq was the owner and manager of Absolute Transport and Limousine Service in Monmouth County. He is alleged to have unlawfully obtained more than \$140,000 from the State Medicaid Program by submitting claims for services that were not rendered and inflating mileage charges on other claims. A warrant has been issued for Raziq's arrest.

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***State v. Alexander Soyfer, Boris Milman, Vadim Boguslavskiy and A&B Invalid Coach Company*** On March 29, 2000, the defendants were indicted by a State Grand Jury for conspiracy, theft, Medicaid fraud and misconduct by a corporate official. The defendants operated A&B Invalid Coach in Woodbridge, New Jersey. They were charged with defrauding the Medicaid Program by submitting approximately \$141,000 in false claims, falsely certifying to the Medicaid agency that recipients were in need of invalid coach services when they were not. They also inflated mileage charges on claims they submitted.

On October 2, 2000, defendants Milman and Soyfer pled guilty to Medicaid fraud. On November 13, 2000, the defendants were each sentenced to four years probation, ordered to spend 60 days in the Middlesex County Jail, and to pay \$42,153 restitution, as well as to debarment from the Medicaid Program. On December 18, 2000, defendant Boguslavskiy pled guilty to one count of Medicaid fraud. His sentencing was scheduled for February 20, 2001.

***State v. Stone Arch Health Care Center, Inc., Nancy Tofani and David Hofstetter***

On February 14, 2000, a State Grand Jury indicted David Hofstetter, Nancy Tofani and Stone Arch Health Care Center Inc., for conspiracy, theft by deception, and Medicaid fraud. David Hofstetter and Nancy Tofani were also indicted for misconduct by a corporate official. Stone Arch is a nursing home owned by defendant Hofstetter. Nancy Tofani is the administrator of Stone Arch. This case involves approximately \$104,566 in alleged Medicaid fraud. The defendants are

alleged to have submitted false expenses on cost reports to the Medicaid agency. The allegedly fraudulent expenses are related to a bus that Stone Arch purportedly used for patient care but which was actually inoperable. It is also alleged that Stone Arch reported to Medicaid the salary and health benefits of an alleged "no-show" employee who was the daughter of the nursing home owner. The case is pending in Mercer County.

***State v. M&G Livery and Transportation, Inc., Gregory Sverdlov, Raisa Zeltser***

On June 21, 2000, the three defendants were indicted in connection with the operation of a livery transportation company called M&G Livery and Transportation, Inc. The indictment variously charged Gregory Sverdlov, Raisa Zeltser and the corporation with conspiracy, Medicaid fraud, theft by deception, and misconduct by a corporate official.

Sverdlov and Zeltser, who were married, are alleged to have fraudulently operated M&G Livery and Transportation, Inc. by paying kickbacks to induce Medicaid recipients to use their company, by billing for people ineligible to receive Medicaid, by transporting Medicaid recipients to destinations not allowable under Medicaid regulations and by submitting false information on Medicaid forms to avoid Medicaid scrutiny. This matter is currently pending trial in Union County.

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## OIFP-CRIMINAL

OIFP's criminal cases are investigated by State Investigators within the Division of Criminal Justice, Department of Law and Public Safety, who are assigned to the OIFP. Deputy Attorneys General within the Division of Criminal Justice, also assigned to OIFP, prosecute OIFP's criminal cases. These Deputy Attorneys General and investigators are assigned to squads in the Insurance Fraud Unit or the Medicaid Fraud Unit of OIFP, which are each headed by a Supervising Deputy Attorney General. Investigators within these units report to a Supervising State Investigator, who, in turn, reports to the Deputy Chief Investigator in charge of OIFP -Criminal. The Deputy Chief Investigators in charge of OIFP-Criminal and OIFP-Civil are supervised by OIFP's top ranking investigator, the Managing Deputy Chief Investigator, who oversees all OIFP investigators and investigations, both civil and criminal. Currently, the OIFP Managing Deputy Chief Investigator position is vacant. The Deputy Chief Investigator-Criminal has been serving as both the Deputy Chief Investigator-Criminal and as the Managing Deputy Chief Investigator for OIFP, following the departure of the former Managing Deputy Chief Investigator to join the Inspector General's Office on August 11, 2000.

The Insurance Fraud Unit of OIFP investigates and prosecutes all types of insurance fraud, most of which involve either health, automobile, homeowners, or commercial insurance policies. Health insurance fraud constitutes a significant portion of cases handled by OIFP. Health care claims fraud may be committed by

health care providers, such as doctors, dentists, chiropractors, etc. or by individual patients, or by others providing health care related services, such as medical billing and invalid transportation businesses. Health care claims fraud occurs when a person or business makes a misrepresentation in a health claim for benefits under a policy of health insurance. See N.J.S.A. 2C:21-4.2. For example, health care claims fraud is committed when a physician knowingly submits bills for unnecessary medical procedures or for medical services that were not provided. Similarly, a patient commits health care claims fraud when submitting a claim for medical benefits for treatment of feigned injuries, when submitting false medical receipts for reimbursement or, when as an accomplice, a healthcare provider submits a false or inflated claim for shared benefits.

According to the United States General Accounting Office, health care fraud losses may constitute as much as ten percent of our nation's annual health care expenditures. In addition to increasing our health care insurance premiums, health care claims fraud may also adversely affect the quality of medical care rendered by those committing health care fraud and diminish available funding for medical research.

Because false or inflated health care claims frequently arise in the context of automobile accidents, these claims also impact the premiums charged for the Personal Injury Protection (PIP) components of car insurance in New Jersey. OIFP places a high priority on the prosecution of

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individuals and practitioners engaging in health care claims fraud, as exemplified by its prosecutions of phony clinics and medical mills, often times associated with staged accident rings.

Staged accidents are among the crimes of most concern to OIFP because of the threat to the safety of the motoring public and innocent bystanders. In this type of insurance fraud, the subjects plan and intentionally cause a motor vehicle collision, often purposely involving unsuspecting motorists in the “accident.” Typical staged accident scenarios involve passing an innocent motorist and abruptly braking, causing the motorist to appear at fault by causing him to crash into the rear of the subject’s vehicle; or waving an unsuspecting motorist from a stop sign or parking spot and then quickly proceeding to crash into the unsuspecting motorist, again in an attempt to make the unsuspecting motorist appear at fault. Other staged accident scenarios involve an intentional sideswipe in which the driver in the inside lane of a dual left turn lane intentionally drifts into the outer lane causing a collision, and the “hit and run” when the subject drives a damaged vehicle to a public location and falsely reports that the subject’s vehicle had just been damaged by a fleeing driver.

Subjects who stage such events frequently plant coached “witnesses” at the scene of the alleged accident or as passengers in the purported accident, and may subsequently work with unscrupulous doctors, lawyers, or auto repair facilities to fabricate or inflate claims for injury or property damage. Those engaged in staging multiple accidents sometimes attempt to “fly below the radar

screen” of law enforcement by the use of aliases supported by phony credentials, such as false social security numbers and counterfeit drivers’ licenses. Because of the potential for serious injury to innocent victims, staged accidents pose a significant threat to the safety of the public.

OIFP has also committed to the prosecution of fraudulent automobile insurance theft claims resulting from staged auto thefts, sometimes referred to as “give-ups.” In these cases, an automobile owner or lessee purposely abandons or disposes of the insured automobile in order to fraudulently collect the insurance proceeds, frequently turning the vehicle over (the “give-up”) to an intermediary. Often those who lease automobiles stage these vehicle thefts to avoid the substantial mileage or repair costs which might otherwise have to be paid by the lessee upon the return of the vehicle to the leasing company at the conclusion of the lease. In other cases, a theft is staged to enable an owner to recover more than the owner would have received from the purchaser in a legitimate sale. Vehicles which are given to a middle man may be exported for foreign resale, quickly disassembled at a “chop shop” which sells the parts on the black market or uses the parts in conjunction with an auto body repair business, or may be simply destroyed or otherwise disposed of to prevent the insurance company from returning a recovered vehicle to the owner or lessee. The search of lakes, rivers and ponds frequently reveals automobiles which were the subject of “give-up” thefts. As explained elsewhere in this report, to address the growing problem of fraudulent auto theft claims, OIFP-Civil has instituted a program designated as the “Give-Up

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Initiative,” to focus and coordinate law enforcement efforts in the detection, investigation and prosecution of these phony auto theft claims.

Medicaid fraud investigations and prosecutions also comprise a significant portion of the criminal case load of the OIFP. The Medicaid Program is a state and federally-funded health insurance program that pays for the health care needs of the disabled and economically disadvantaged of our state. In New Jersey, the state and federal government equally share the cost of the Medicaid Program. In 2000, OIFP’s Medicaid Fraud Unit was responsible for policing the state’s Medicaid Program which expended over \$5.5 billion in medical assistance payments. The state’s share of the Medicaid expenditures represents approximately fifteen percent of New Jersey’s annual budget.

The Medicaid Fraud Unit investigates and prosecutes health care providers such as doctors, pharmacists, dentists and ancillary service providers, who defraud the Medicaid Program. As a general rule, the Unit does not prosecute Medicaid patients who defraud the program. Rather, these matters are referred to the state’s Medicaid agency, the Division of Medical Assistance and Health Services in the Department of Human Services. However, if a conspiracy exists between a Medicaid patient and provider to defraud the program, the Medicaid Fraud Unit will investigate and prosecute all parties in the conspiracy. Medicaid fraud occurs when a provider fraudulently receives medical assistance payments to which he is not entitled or in a greater amount than that to which he is entitled. Effective January 15, 1998, with the passage of the Health Care Claims Fraud Act, a provider who commits

Medicaid fraud also will have committed health care claims fraud.

The New Jersey Medicaid Program is generous in its benefits in that it pays for non-emergency transportation for Medicaid recipients to and from their homes and the place where a service reimbursed by Medicaid is rendered. The program provides different modes of transportation depending upon the Medicaid beneficiaries’ ability to ambulate without assistance. Livery transportation is provided to those who can ambulate and do not need assistance going between home and medical services. Mobility assisted vehicles, in the past referred to as invalid coach services, are available to those who are wheelchair bound or not able to ambulate freely due to a medical or mental condition. These transportation services, while intended to assist the medical needs of patients, also present an inviting target for providers intent upon committing fraud. This fraud is also committed by inflating the mileage for patient transportation claims, billing for services that were not provided, and falsifying prior authorization forms to qualify a recipient for mobility assisted services. This service is paid at a higher rate than livery service.

### **INSURANCE FRAUD UNIT**

The Insurance Fraud Unit (IFU) is currently overseen by an Acting Supervising Deputy Attorney General, who has been assigned to the headquarters office of the OIFP in Lawrenceville since the departure of the former Supervising Deputy Attorney General on August 11, 2000. The Unit’s staff of 22 Deputy Attorneys General and 57 Criminal Investigators is divided into five squads. Squads one and two are housed in OIFP’s north office in Whippany; squads

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three and four in the Lawrenceville office; and squad five in the Cherry Hill south office.

A Deputy Attorney General in each squad serves as team leader of the other Deputy Attorneys General in that squad, and the Criminal Investigators in each squad report to a Supervising State Investigator. The five Supervising State Investigators report to the Deputy Chief Investigator in charge of criminal investigations.

IFU operations are supported by a team of three Analysts and three Technical Assistants, supervised by a Senior Analyst. This team provides professional assistance in the analysis and organization of documents, records and data obtained in the course of criminal investigations of insurance fraud.

### **MEDICAID FRAUD UNIT**

A Supervising Deputy Attorney General heads the Medicaid Fraud Unit (MFU) which is also housed in OIFP's Lawrenceville Office. In addition to the Supervising Deputy Attorney General, the MFU currently has five other attorneys, three in Lawrenceville and two in the northern office of the Division of Criminal Justice in Whippany. The criminal investigative staff of 18 is assigned to the North and Central offices of OIFP and each

squad of investigators is headed by a Supervising State Investigator. Augmenting the staff are two Auditors, a Paralegal, a Senior Management Assistant and an Administrative Analyst who assist in case and financial analysis, legal research, case tracking, and other support and administrative functions for the Medicaid Fraud Unit. The MFU is also charged with investigating fraud in the administration of the Medicaid Program. Changes in federal law allow the Unit to investigate and prosecute health care fraud in other federally-funded health care programs, such as Medicare, when the case involves a nexus to Medicaid fraud and the appropriate Inspector General of the federal agency involved concurs.

The MFU functions under a strike force configuration of Deputy Attorneys General, Auditors, Analysts, Investigators and a Paralegal working together, full-time, to investigate and prosecute provider fraud in the Medicaid Program. The Unit includes attorneys experienced in the investigation and prosecution of criminal, as well as civil fraud cases, auditors capable of reviewing financial records and cost reports and state investigators experienced in white-collar crime investigations.

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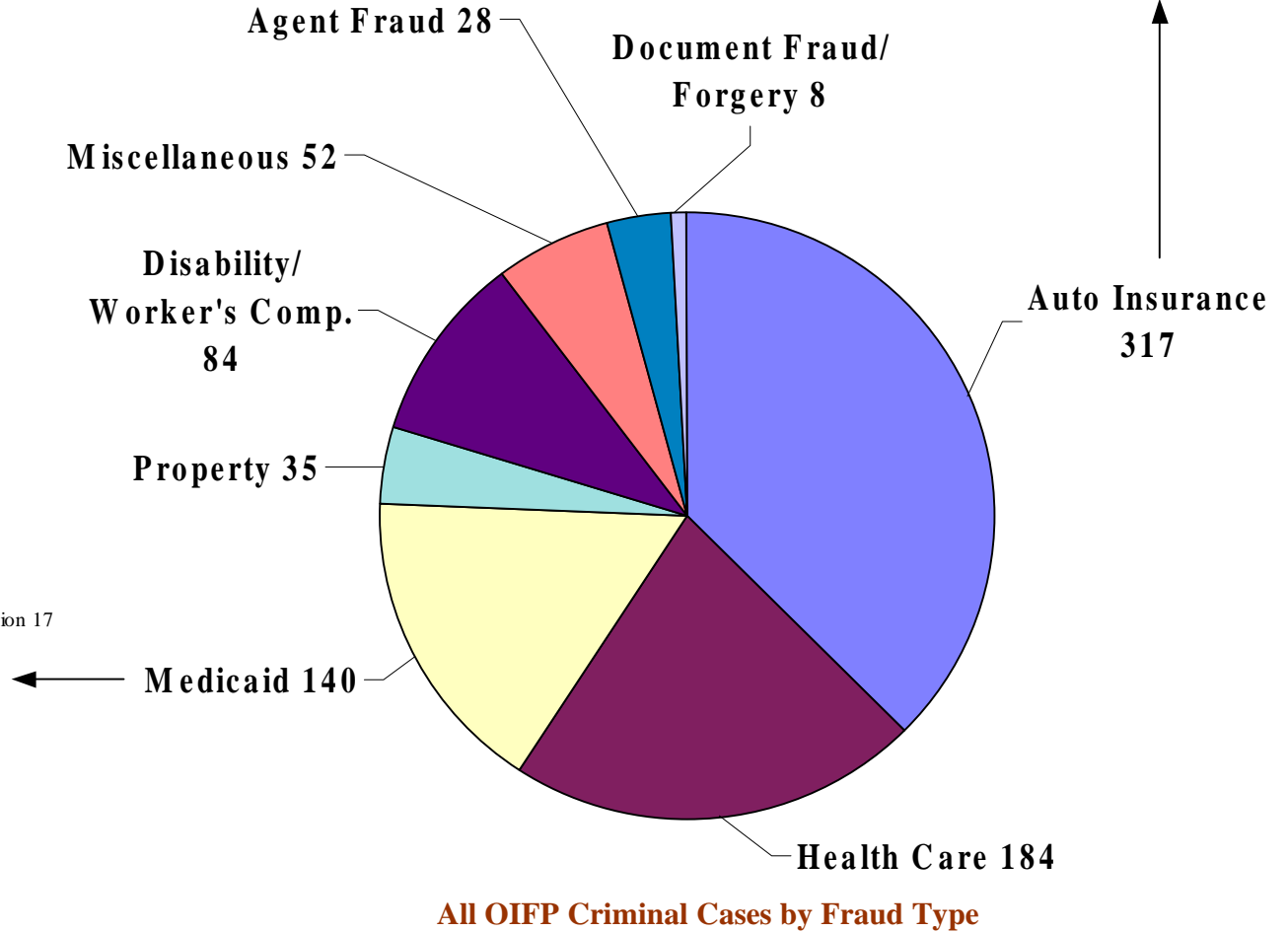
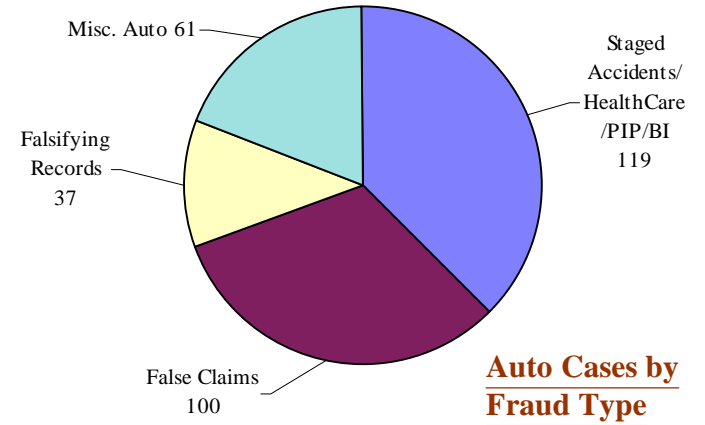
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## **CRIMINAL INVESTIGATION AND PROSECUTION STATISTICS**

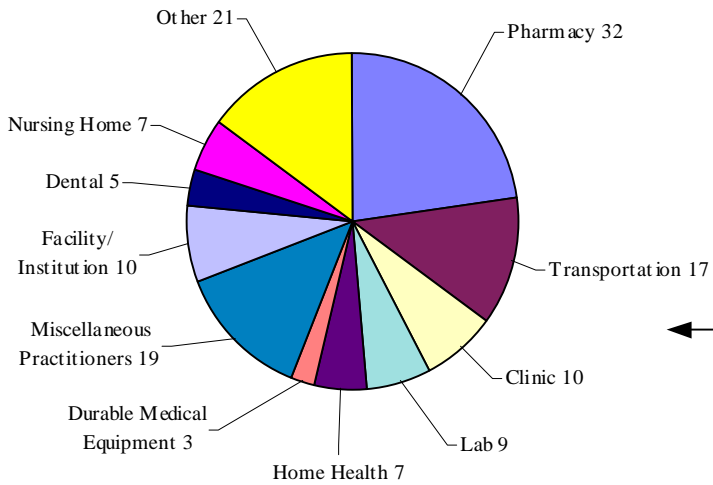
### **OIFP Criminal Statistics Summary** January 1, 2000 - December 31, 2000

Cases Pending at end of 1999	329
Individual Subjects of Pending Cases	888
New Cases Opened	519
Individual Subjects of New Cases	746
Cases Investigated (pending plus opened during period)	848
Persons Investigated	1,634
Indictments/Accusations Filed	86
Convictions (Pleas/Trial Convictions)	75
Total Fines (Includes Civil Penalties in Criminal Cases)	\$403,100
Total Restitution	\$1,126,228

# OIFP 2000: Criminal Cases Investigated by Fraud Type



**Medicaid Cases by Provider Type**





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## OIFP-CIVIL

Civil insurance fraud occurs when a person violates the New Jersey Insurance Fraud Prevention Act (Fraud Act), N.J.S.A. 17:33A-1 et seq. The Fraud Act provides that a person or practitioner violates the Act if, among other things, he or she submits a false statement or makes a material omission on an application for insurance (application fraud) or submits a false statement in support of a claim for benefits from an insurance carrier (claims fraud).

OIFP-Civil insurance fraud cases are investigated by civil investigators in the Division of Criminal Justice, Department of Law and Public Safety. The cases are usually received as referrals from insurance carriers which suspect fraud. However, referrals are also received from private citizens through the OIFP hotline and OIFP web site, as well as from other law enforcement and administrative agencies. At the conclusion of an investigation, if the evidence tends to support the allegation of fraud, the civil investigator assigned to the matter attempts to resolve the case by issuing the subject of the investigation an administrative consent order for an insurance fraud fine. The consent order requires admissions by the subject and includes the amount of the fine. If the subject holds a professional license (physician, attorney, nurse, auto body shop, etc.) the consent order also contains a provision stating that the relevant licensing authority will be notified that its licensee entered into a consent order regarding an insurance fraud matter.

If the subject refuses to resolve the matter at the conclusion of the investigation, the case is referred to the Division of Law,

Insurance Fraud for litigation. There are presently 13 Deputy Attorneys General assigned to the Division of Law Insurance Fraud Unit. These attorneys are located in OIFP's Lawrenceville Office, where they are readily available to render legal advice and assistance as needed. Paralegals are assigned to assist the Deputy Attorneys General.

Examples of automobile application fraud include the omission of information regarding motor vehicle violations, accidents and licensed drivers residing in the household and the use of a New Jersey address by an out-of-state resident to obtain less expensive insurance, a practice referred to as "rate evasion." Homeowners' claims fraud typically involves the submission of inflated claims and false receipts arising from legitimate claims. Examples of automobile claims fraud include staged automobile thefts and false or inflated claims for property damage.

In the year 2000, OIFP has undertaken efforts which "up the ante" for those who would file a false auto theft report in New Jersey. To address the growing problem of auto theft claims, OIFP-Civil established a new program designated as the "Give-Up Initiative," to coordinate law enforcement efforts in the realm of phony auto theft claims. Civil investigators with extensive backgrounds in auto theft cases in OIFP's three regional offices are assigned to identify and screen case referrals involving suspicious auto theft claims, to enter these cases into a special database, and to ascertain trends or patterns indicative of possible organized criminal involvement. Investigators assigned to the "Give-Up Initiative" work closely with municipal

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police departments, the New Jersey State Police, County Prosecutors, federal law enforcement agencies and the private insurance industry in the sharing of information and resources to ensure that those submitting fraudulent auto theft claims are subjected to substantial civil fines, criminal prosecution, or both.

The Fraud Act provides for a stiff civil monetary penalty for each act of insurance fraud. A civil insurance fraud fine for the first violation can reach as high as \$5,000, a second violation as high as \$10,000, and each subsequent violation as high as \$15,000. Significantly, each false statement or omission submitted in support of a single claim or application constitutes a separate violation of the Fraud Act, thereby subjecting a violator to significant penalties for multiple false statements or omissions made in the course of fraudulent conduct, even if in the context of a single claim. In addition to civil penalties, the Division of Law Insurance Fraud Unit also seeks attorneys fees and restitution, where appropriate.

## **CIVIL INVESTIGATIONS**

### **Organization**

Civil investigations are conducted by approximately 120 investigators assigned to the OIFP-Civil Section. Investigators are assigned in equal numbers among the four regional units of OIFP located, respectively, at Whippany (North Unit), Lawrenceville (Central Units 1 & 2), and Cherry Hill (South Unit). Each regional unit of 30 investigators is headed by a Supervising State Investigator and is divided into three squads of ten, headed by team leaders. The Supervising State Investigators in charge of the four regional units report to a Deputy Chief Investigator in charge of

investigations who, in turn, is supervised by OIFP's highest ranking investigative official, the Managing Deputy Chief Investigator.

### **Referrals of Suspected Insurance Fraud**

In the year 2000, OIFP received 11,888 reports of suspected insurance fraud, including 8,556 from insurance carriers, which are required by law to refer all such matters to OIFP. 1,946 of the referrals came from citizens, either through OIFP's toll-free hotline, or through letters, e-mail, or the on-line reporting form provided at the OIFP web site [www.njinsurancefraud.org](http://www.njinsurancefraud.org).

Approximately 241 of OIFP's civil case referrals originated from the monthly reporting of criminal cases by County Prosecutors' Offices. The balance of approximately 1,145 civil cases came from a variety of sources including other sections of the Division of Criminal Justice; other government agencies such as the Division of Motor Vehicles, the Department of Banking and Insurance and the Department of Labor; and OIFP initiated investigations.

Upon receipt, all referrals to OIFP are assigned a case number and logged into OIFP's civil case database. Approximately twice a month all referrals are screened by an OIFP team comprised of civil investigators, Deputy Attorneys General and the OIFP County Prosecutor and Professional Boards Liaisons to determine the suitability of these matters as potential civil or criminal cases, or as referrals to other agencies such as offices of the County Prosecutor, professional licensing boards or the Department of Banking and Insurance.

Of the referrals to OIFP in the year 2000, 6,589 were forwarded to OIFP civil

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investigators for further investigative action after initial review. Those matters not warranting assignment to civil investigators, most often because of inadequate facts to clearly demonstrate that a violation of the Act occurred, are maintained on file for purpose of future investigative reference. While matters are occasionally screened for assignment directly to the criminal investigative section, OIFP-Civil often undertakes the initial investigation of referred matters, and subsequently determines whether a matter warrants forwarding for criminal action. Some of the cases criminally prosecuted successfully by OIFP started as civil investigations conducted by OIFP-Civil.

#### **Dispositions by Civil Investigators**

OIFP civil investigators conducted investigations resulting in the issuance of 889 insurance fraud consent orders and agreements totaling \$2,441,545 in civil insurance fraud fines. 367 matters, involving \$830,762 were successfully concluded through investigative action. The balance of the consent orders and agreements remain pending. With the enactment of the Penalty Enforcement Act, N.J.S.A. 2A:58-10 et seq., OIFP, through the Division of Law, may now docket its consent orders as judgements with the Superior Court clerk, enabling OIFP, in appropriate cases, to obtain a judgement lien and/or proceed directly to execution when necessary.

#### **Dispositions by Division of Law**

Insurance Fraud Unit attorneys received a total of 639 matters for litigation, most of which were referred by OIFP's civil investigation section. These matters involve cases where the facts demonstrated a

violation(s) of the Act occurred but where the subject was unwilling to sign an insurance fraud consent order or agreement, or where a subject became seriously delinquent in remitting payment pursuant to a prior fraud settlement.

Division of Law attorneys successfully concluded settlements or judgements in 146 cases totaling \$2,534,200 and obtained an additional \$944,121 through enforcement actions. The State was also awarded over \$16,745 in counsel fees in litigated matters. The civil attorneys resolved a total of 390 matters which included enforcement actions with respect to previous settlements.

#### **Collections**

The Department of Banking and Insurance (DOBI) is responsible for the collection of monies resulting from the successful conclusion of civil matters through OIFP civil investigative actions or through the efforts of the Division of Law Deputy Attorneys General assigned to handle OIFP civil litigation. According to DOBI, it received \$2,467,697.15 in payments in 2000, and closed 560 accounts receivable as paid in full during the year.

### **CIVIL HIGHLIGHTS**

#### **Division of Law Highlights**

***State v. Annie M. Proctor*** On March 20, 2000, the Division of Law obtained a default judgment awarding \$60,000 in civil insurance fraud penalties against Annie Proctor resulting from her false report that her 1991 Mercedes Benz automobile had been stolen. In fact, Proctor arranged to have the automobile stored in a garage in Philadelphia. In addition to the civil

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penalties, Proctor was ordered to pay restitution in the amount of \$21,863 to State Farm Insurance Company and \$1, 883 to Allstate Insurance Company.

***State v. Joseph Giordano*** On September 5, 2000, the Division of Law obtained a default judgment against Joseph Giordano in the amount of \$30,018 resulting from false reports to the Ocean Township Police Department and the Allstate Insurance Company that his automobile had been stolen from the Seaview Square Mall. In fact, the day before the alleged theft, the automobile had been involved in a hit and run accident and the automobile was already in the custody of the Newark Police Department at the time of the alleged theft.

***State v. Nicholas Sottiriou*** On April 5, 2000, a default judgment in the amount of \$70,030 was obtained against Nicholas Sottiriou. Sottiriou, a licensed chiropractor, previously entered into an insurance fraud consent agreement with the Department of Banking and Insurance to resolve allegations regarding insurance claims for services that were never rendered. Sottiriou failed to adhere to the payment terms of the consent agreement and the judgment was obtained.

***State v. Ashendorf*** On August 3, 2000, Ashendorf, a physician, entered into a stipulation of settlement and consent judgement whereby he agreed to pay a civil penalty of \$55,000 for billing insurance companies for treatment on dates on which the patients did not appear for scheduled appointments. These billings and payments occurred from 1988 to 1991 and involved at least 138 patient files, with respect to which Ashendorf made

restitution to the insurance companies. OIFP referred this matter for consideration of possible licensure action by the State Medical Board.

***State v. Shoppe Publications*** On September 27, 2000, after a bench trial, a Cape May County Law Division Judge found the defendant liable for three violations of the Act and assessed a penalty of \$1,000 for each violation. The matter arose out of a commercial fire loss after which the defendant submitted false and inflated claims for damages.

***State v. Anthony White*** OIFP obtained a \$90,000 default judgement against the defendant, a Newark motorcycle police officer, for violations of the Insurance Fraud Prevention Act stemming from his false claim that his personal use motorcycle had been stolen. After paying off the loan on the motorcycle with the proceeds of the insurance policy, White sold the motorcycle together with a handwritten bill of sale containing a falsified VIN number. The fraud was detected during a VIN check at a Florida motocross event.

#### **Civil Investigations Highlights**

***In the Matter of Mark Stewart*** On April 18, 2000, Mark Stewart signed a consent order requiring him to pay a \$5,000 insurance fraud fine after investigation revealed that he had created a fictitious employment group to qualify his company for entry into a group health plan operated by Blue Cross/ Blue Shield. Stewart's wife, who was not an employee of the company, submitted more than \$47,000 in medical claims to Blue Cross/Blue Shield before the fraud was discovered.

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***In the Matter of Richard Verdoni, M.D.;***  
***In the Matter of JoAnn Green*** In February 2000, Dr. Richard Verdoni paid \$4,000 in insurance fraud fines on behalf of himself and his sister, JoAnn Green, after investigation of a hotline complaint against Verdoni confirmed that Verdoni had fraudulently represented Green to be an employee of the medical practice with which he was associated for the purpose of obtaining health insurance for Green. Twenty-five claims totaling over \$1,500 were submitted in Green's name before OIFP was alerted by the hotline caller. The case was referred to the New Jersey Medical Licensing Board.

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**OIFP CIVIL STATISTICS SUMMARY**

January 1, 2000 - December 31, 2000

<b>CIVIL INVESTIGATIONS</b>	<b>Number</b>	<b>Dollar Amount</b>
New Cases Opened	11,888	
Number Forwarded for Investigation	6,589	
No Investigation Warranted	5,299	
<b>PRE-LITIGATION DISPOSITIONS</b>		
Consent Orders/Agreements Issued	889	\$2,441,545.75
Consent Orders/Agreements Executed	367	\$830,762.75
<b>LITIGATION (Division of Law)</b>		
Number of Referrals Received by Division of Law	639	
Number of Cases Resolved:	390	
Enforcement Actions by Division of Law		\$944,121.03
Division of Law Original Settlements		\$2,534,200.96
<b>COLLECTIONS (Department of Banking and Insurance)*</b>		
Total Amount Received		\$2,467,697.15
Number of OIFP Accounts Paid in Full	560	

**\*As reported to OIFP by DOBI**

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## **COORDINATION OF LAW ENFORCEMENT, GOVERNMENT AND INDUSTRY**

In order to ensure the effective coordination of public and private anti-insurance fraud efforts in New Jersey, AICRA requires that OIFP designate a section of the office to establish liaison and continuing communications with the insurance industry, law enforcement and other public agencies. Consistent with this legislative mandate, OIFP has assigned experienced personnel with appropriate backgrounds to act as liaisons to coordinate OIFP's programs with professional licensing boards, insurance carriers, County Prosecutors' Offices and other law enforcement agencies.

### **COUNTY PROSECUTORS' OFFICES**

AICRA provides that, with the assistance and support of OIFP, Offices of the County Prosecutor assume and maintain a role of critical importance in the detection, investigation and prosecution of insurance fraud in New Jersey. As provided in AICRA, OIFP refers investigative leads and offers other investigative assistance to County Prosecutors' Offices, conducts insurance fraud-related training for County Prosecutor personnel, and affords funding to those offices seeking to establish or expand insurance fraud units.

In the year 2000, OIFP's Prosecutor Liaison implemented a protocol for identifying, forwarding and tracking insurance fraud referrals to the State's 21 County Prosecutors' Offices. By the close of the year, OIFP had referred more than 150 matters to County Prosecutors' Offices for investigation and possible prosecution.

Those referrals encompassed the full spectrum of insurance fraud matters, ranging from auto theft and arson claims fraud to health care claims fraud. Including cases referred by OIFP, Offices of the County Prosecutor reported investigating or prosecuting 906 cases of suspected insurance fraud in the year 2000.

### **Training of County Prosecutor Personnel**

In May of 2000, OIFP conducted a two day course of instruction for assistant prosecutors and County Prosecutor investigative personnel, examining in detail actual insurance fraud cases investigated and prosecuted by OIFP involving staged accidents, alleged auto thefts, insurance agent fraud, disability claims fraud, commercial casualty and health care claims fraud. Actual case studies were presented by the State Investigators and Deputy Attorneys General who originally handled the cases on behalf of OIFP, and included the review and analysis of court documents and investigative materials prepared by OIFP in conjunction with those cases. Training was attended by 12 assistant prosecutors and 21 investigative personnel representing 17 County Prosecutors' Offices, as well as by State Investigators and Deputy Attorneys General from OIFP. OIFP also presented an insurance fraud roundtable for assistant prosecutors and investigative staff at the New Jersey Prosecutors Association Annual Conference in Atlantic City in September 2000. Chaired by the Acting Insurance Fraud Prosecutor, the roundtable addressed a variety of subjects ranging from recently

enacted insurance fraud legislation to OIFP's auto theft "Give-Up Initiative."

Throughout the year OIFP also provided training materials and instructors upon request to County Prosecutors' Offices and police training academies throughout the state, ranging from Cape May County in the south, to Bergen County in the north.

**Funding of County Prosecutors' Offices**

To encourage and assist County Prosecutors with establishing or expanding units working on insurance fraud matters, AICRA provides that the Attorney General allocate monies from OIFP's budget to a fund dedicated to reimbursing County Prosecutors' efforts in combating insurance fraud. Previously, 16 of the State's 21 County Prosecutors requested and received

two year funding commitments totaling \$5 million. During 2000, the original two year funding commitments were extended in several counties to allow for the use of unexpended funds resulting from occasional unavoidable delays in hiring or procurement. This dedicated funding source has enabled participating Prosecutors' Offices to add eight assistant prosecutors, 26 investigators and five clerical support positions, and to underwrite the purchase of essential equipment and other investigative expenses. It is anticipated that, in 2001, funding commitments to the 16 participating County Prosecutors' Offices will be renewed, and that several of the Prosecutors' Offices which had not participated in the initial funding, will apply for funding for the next program funding period.

<b>COUNTY PROSECUTORS' OFFICES  SUBJECTS UNDER INVESTIGATION IN 2000  FOR SUSPECTED INSURANCE FRAUD</b>					
Atlantic	35	Gloucester	45	Ocean	42
Bergen	41	Hudson	260	Passaic	212
Burlington	2	Hunterdon	---	Salem	15
Camden	77	Mercer	35	Somerset	17
Cape May	12	Middlesex	12	Sussex	---
Cumberland	4	Monmouth	31	Union	7
Essex	18	Morris	32	Warren	9



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## **Highlights of Insurance Fraud Investigations by Counties**

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### **Atlantic County Prosecutor's Office**

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***State v. Charles Walton*** On October 18, 2000, Charles Walton of Philadelphia, Pennsylvania was indicted on charges of aggravated arson, arson for insurance and conspiracy for his role in abandoning and burning a vehicle on the Garden State Parkway on July 14, 2000 for purposes of filing a fraudulent auto theft claim. While parked on the shoulder of the highway prior to the arson, Walton had been offered and declined roadside assistance by New Jersey State Troopers on patrol. The Troopers later found the vehicle abandoned and charred. Subsequent forensic examination of the vehicle by the New Jersey State Police Arson Unit resulted in the discovery of photographs of Walton in the vehicle's glove compartment. The case was investigated jointly by the New Jersey State Police and the Atlantic County Prosecutor's Insurance Fraud Task Force. The matter is pending trial.

***State v. Robert Stanton*** On November 14, 2000, Robert Stanton was indicted on charges of theft by deception, conspiracy, falsifying records, false swearing and unsworn falsification in conjunction with his report to police that his 1995 Dodge Intrepid had been stolen and his subsequent auto theft claim to the First Trenton Indemnity Insurance Company. After paying Stanton \$13,871 on his claim, the insurance carrier alerted the Atlantic County Prosecutor's Office of its suspicions of fraud associated with Stanton's claim. After further

investigation by the Atlantic County Prosecutor's Office Insurance Fraud Task Force, Stanton was charged with "giving-up" his automobile to a friend who allegedly took it to a Philadelphia based chop shop. The case is pending trial.

***State v. Evelyn T. Brown*** On December 1, 2000, members of the Atlantic County Prosecutor's Office Insurance Fraud Task Force arrested and charged Evelyn T. Brown with five counts of wrongful impersonation for using another person's identity and credentials to procure auto insurance coverage. AAA Mid-Atlantic Insurance Company/Keystone Insurance Company had referred the matter to the Atlantic County Prosecutor's Office after Brown had been involved in a traffic accident in Brigantine in the spring of 1997. The case is currently pending presentation to a Grand Jury.

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### **Bergen County Prosecutor's Office**

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***State v. Cleveland Alexander*** On June 16, 2000, a Bergen County Grand Jury indicted Cleveland Alexander for distributing fraudulent New Jersey motor vehicle documents including counterfeit insurance cards, fictitious temporary registration tags and fake motor vehicle inspection stickers. Alexander was sentenced on December 22, 2000 to 60 days in the Bergen County Jail (SLAP Program) as a condition of long term probation. This investigation, which resulted in multiple undercover purchases of original quality counterfeit documents, was conducted jointly by the Bergen County Prosecutor's Office Insurance Fraud Squad and the New Jersey State Police.

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***State v. Lori Mobio, et al.*** On June 16, 2000, a Bergen County Grand Jury charged Lori Mobio and Veronica Jackson in an eight count indictment for manufacturing and distributing fake State Farm and Allstate insurance cards. This joint investigation by the Bergen County Prosecutor's Office and the New Jersey State Police resulted in two criminal convictions in November, 2000.

***State v. Nicholas Chrin*** On August 11, 2000, a Bergen County Grand Jury indicted Nicholas Chrin for four counts of theft by deception in an agent embezzlement scheme. Chrin, a long time Northwestern Mutual Life Insurance Company agent, diverted several cash surrender values from a long time client's life insurance policies. He pled guilty to two counts of theft by deception, agreed to pay over \$30,000 in criminal restitution and was accepted for entry into the Pre-Trial Intervention Program on January 2, 2001.

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### **Burlington County Prosecutor's Office**

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***State v. Joseph Larkin*** On July 30, 2000, Joseph Larkin was indicted for aggravated arson, insurance fraud arson, and theft by deception in conjunction with a fire which had destroyed Larkin's house trailer the night before he was to sell it for \$16,000. A lamp was suggested as the cause of the fire. Further investigation revealed that the fire had been caused by the direct ignition of combustible materials rather than by the lamp, and that Larkin had allegedly received \$31,000 from the insurance company on a claim he filed under his homeowners' insurance. The case is pending trial.

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### **Camden County Prosecutor's Office**

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***State v. Mark Krauss*** On April 14, 2000, Mark Krauss was sentenced to a term of three years probation with 150 hours of community service after admitting to faking the burglary of his own home and the theft of over \$15,000 worth of contents. Krauss admitted his deception and made full restitution to Allstate Insurance Company after being confronted by a Gloucester Township Police Detective with the numerous inconsistencies in his burglary report.

***State v. Joseph Shaw*** On October 11, 2000, the Camden County Grand Jury returned an indictment against Joseph Shaw charging second degree aggravated arson and second degree attempted theft by deception for the destruction of his residence by fire on February 17, 1998, and his alleged attempts to obtain more than \$189,000 in insurance proceeds from Peerless Insurance Company. Although his wife was not at home at the time and Mr. Shaw escaped unharmed, the couple's three pet dogs perished in the fire. The residence was a total loss and was determined to have been set by direct ignition of combustible materials in the basement area. The extreme heat caused major portions of the second floor of the dwelling to collapse and one firefighter sustained second degree burns fighting the blaze.

***State v. Ada Lebron; State v. Kenneth Carstarphen; State v. Jose Bouson*** In its continuing efforts to halt the proliferation of simulated automobile insurance identification cards in Camden County, the Camden County Prosecutor's

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Office obtained three indictments in the year 2000 against individuals who were engaged in making and selling such cards, usually for \$50 a piece. Ada Lebron pled guilty and was sentenced to probation with 30 days community service. Kenneth Carstarphen pled guilty on condition of a term of 12 months in prison but is expected to be sentenced to a term of 364 days in the house arrest program due to his extremely poor health. The indictment against Jose Bouson is still pending in Superior Court. All three arrests were made by the New Jersey State Police Insurance Fraud Unit which works in cooperation with the Camden County Prosecutor's Office on a regular basis.

In the year 2000, the Camden County Prosecutor's Office Insurance Fraud Unit opened more than 70 investigations, including approximately 40 which remain pending.

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#### **Cape May County Prosecutor's Office**

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***State v. Edward Jones*** On June 6, 2000, a Cape May County Grand Jury indicted Edward Jones, the owner of C&E towing, for theft by deception. Jones allegedly billed Selective Insurance Company for the purported storage of a vehicle, which was being stored at the police impound lot.

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#### **Cumberland County Prosecutor's Office**

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***State v. Alice Yolanda Carmona*** On October 23, 2000, Alice Yolanda Carmona pled guilty to one count of a Cumberland County indictment charging her with the crime of practice of medicine by an

unlicensed person, and to an Accusation filed by the OIFP charging her with Medicaid fraud. Carmona had operated Vineland Human Services where she provided counseling services and wrote and altered prescriptions, despite the fact that she was not licensed to practice medicine. She also billed the Medicaid Program for rendering pharmacologic management services under guise of medical licensure. Carmona was sentenced on December 1, 2000, to 162 days time served in jail, three years probation and forfeiture of \$9,629 to the Cumberland County Prosecutor's Office. The investigation was conducted jointly by the OIFP and the Cumberland County Prosecutor's Office.

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#### **Gloucester County Prosecutor's Office**

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***State v. Edward D. Walker*** In March of 2000, Edward D. Walker was found guilty by a Gloucester County Jury of purposely starting a fire in his 1992 Ford Explorer in order to collect insurance for the destruction of, or damage to, his vehicle. On April 28, 2000 Walker, was sentenced to three and a half years in state prison.

***State v. Kevin Stokes*** On September 20, 2000, Kevin Stokes was arrested by the Gloucester County Prosecutor's Office and charged with attempted theft by deception, falsifying documents and tampering with public records or information in connection with an automobile "give-up" scheme. Stokes allegedly reported his vehicle stolen and filed a theft claim under his automobile insurance policy.

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***State v. Daniel Kerr*** On December 1, 2000, Daniel H. Kerr, a six year veteran of the Gibbsboro Police Department, was arrested at an auto shop he owns in Paulsboro and charged with official misconduct and tampering with public records. Kerr is alleged to have illegally sold temporary license plates from his business and unlawfully obtained drivers' abstracts from police computers for his own use. The arrest followed several months of investigation by the Gloucester County Prosecutor's Office and New Jersey State Police.

***State v. Amarilis Flores and Santos Marrero*** Following a joint investigation by the Gloucester County Prosecutor's Office and Woolwich Township Police Department, Amarilis Flores and Santos Marrero were arrested on October 17, 2000 and November 8, 2000 in connection with an automobile "give-up" scheme. Flores and Marrero were charged with conspiracy, aggravated arson, attempt to commit theft by deception, falsifying documents and tampering with public records and information. It is alleged that Flores conspired with Marrero to get rid of her 1994 Mazda, gave the car to Marrero and other unknown conspirators, falsely reported that her vehicle had been stolen, and filed a fraudulent theft claim under her automobile insurance policy.

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### **Hudson County Prosecutor's Office**

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***State v. Bernardo Barreras*** On October 4, 2000, a Hudson County Grand Jury indicted Bernardo Barreras on a charge of theft by deception. Barreras worked as an insurance agent for the State Farm Insurance Company in Hoboken and is alleged, on at least six occasions, to have defrauded individuals of insurance application premiums after he took their cash payments for new automobile insurance policies. The amount allegedly defrauded is in excess of \$3,000.

***State v. Frank Munafo, et al.*** On August 23, 2000, Frank J. Munafo was charged with theft in connection with a suspected chop shop on 37<sup>th</sup> Street in Union City, Hudson County. The charges stem from a raid carried out by the Prosecutor's Office detectives on a ten car garage where three stolen vehicles were recovered.

***Staged Accidents*** The Hudson County Prosecutor's is currently engaged in the investigation of over one hundred subjects suspected of staging accidents in the North Hudson vicinity. In August 2000, a dozen individuals targeted as the alleged ring leaders of those staged accidents were indicted in conjunction with the ongoing investigation, which is expected to result in dozens of arrests and convictions in the year 2001.

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**Mercer County Prosecutor's Office**

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***State v. Sybil A. Francis*** On September 5, 2000, Sybil A. Francis was indicted for attempted theft by deception stemming from her false report that her 1995 BMW had been stolen from the front of a bar where she had purportedly left the car running. It is alleged that Francis made the false report as a predicate to the filing of a fraudulent insurance claim.

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**Middlesex County Prosecutor's Office**

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***State v. Fred Rossi*** On August 12, 2000, a Middlesex County Grand Jury handed up an indictment of Fred Rossi, an independent insurance broker in Carteret, New Jersey, charging him with the pocketing of clients' insurance premiums without actually placing insurance for those clients over a period of approximately three years. Rossi pled guilty on November 27, 2000 to two counts of issuing a simulated motor vehicle insurance identification card and one count of theft by deception and was sentenced on January 16, 2001 to five years probation conditioned upon restitution of \$5,502 and forfeiture of his insurance agent's license.

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**Monmouth County Prosecutor's Office**

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***State v. James Coonan and Anthony Manno*** On June 5, 2000, a Monmouth County Grand Jury indicted both James Coonan and Anthony Manno on three counts of arson and one count of theft by

deception in conjunction with their scheme to stage the theft and destruction of Manno's 1993 Honda Accord. The defendants, employed together as stage hands at the Metropolitan Opera House in Manhattan, plotted for Coonan to drive Manno's car to New Jersey and burn it, following which Manno would file an insurance claim. The car was taken and destroyed, but the plan unraveled before Travelers Insurance Company made payment on the phony claim. Both Coonan and Manno pled guilty to arson for starting a fire to collect insurance proceeds, and were sentenced to terms of probation.

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**Morris County Prosecutor's Office**

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***State v. George Underhill, Gregory Underhill and Underhill Excavating***

On January 18, 2000, George and Gregory Underhill were arrested and charged with theft by deception, receiving stolen property and conspiracy in conjunction with an insurance scam in which they fraudulently sought to collect insurance proceeds on heavy construction equipment which they falsely claimed was stolen. Subsequently, seven Case backhoes were seized, including three that had previously been reported stolen by George Underhill Excavating. Of the three backhoes that had been retained by Underhill, two were later traded in toward the purchase of new machines. On September 14, 2000, George Underhill pled guilty to receiving stolen property; Gregory Underhill pled guilty to theft by deception and the company pled guilty to tampering with public records. Over \$400,000 worth of equipment was seized in this investigation, enabling Zurich Insurance Company to recoup losses of \$114,103 and

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Selective Insurance Company to recoup losses of \$62,500. On January 12, 2001, George Underhill was sentenced to three years probation and Gregory Underhill was sentenced to five years state prison. In addition, their corporation was ordered to pay \$15,000 in civil penalties.

***State v. Wayne Stover*** On May 5, 2000, Wayne Stover was charged with theft by deception, criminal attempt and the filing of a false police report in conjunction with a phony \$5,000 burglary claim. Stover had falsely reported to police that his car was burglarized while parked at his place of employment at St. Claire's Hospital - Dover Campus. Under subsequent questioning by detectives from the Morris County Prosecutor's Office and the Dover County Police Department, Stover admitted concocting the story to make a fraudulent insurance claim. Stover was accepted into the county's Pre-Trial Intervention Program.

***State v. Raffael N. Melchione*** Raffael Melchione was charged on October 31, 2000 for staging the theft and arson of a 1999 Infiniti he had leased and which was significantly over the mileage permitted under the terms of the lease. Melchione eventually admitted under questioning that he had committed the fraud to avoid paying excess mileage charges to the leasing company when the vehicle was due to be returned. Melchione pled guilty to theft by deception as a condition of his entry into the Pre-Trial Intervention Program.

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**Ocean County Prosecutor's Office**

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***State v. Luis Delgado and Maritza Rivera*** The married defendants were

indicted on March 29, 2000 in connection with a scheme to file a phony vehicle theft claim a week after selling their 1997 Ford F-150 pickup to a truck dealer on May 22, 1997. Rivera falsely swore on an affidavit of theft that she had last seen the vehicle, intact and in good condition, on May 28, 1997. Delgado subsequently pled guilty to theft by deception and agreed to pay restitution and an insurance fraud civil fine of \$5,000 as a condition of three years probation. Rivera was accepted into the Pre-Trial Intervention Program and also agreed to pay restitution.

***State v. Lawrence Nesser; State v. Renae Nesser; State v. James Russo; State v. Thomas Allen Palmarini*** In September of 2000, Lawrence Nesser, Renae Nesser, James Russo and Thomas Palmarini were each charged with theft by deception, theft by unlawful taking or disposition, defrauding secured creditors and conspiracy to defraud, in connection with their alleged scheme to stage the theft of Renae Nesser's leased 1998 Chrysler Sebring as a predicate to the filing of a fraudulent insurance claim. Facing the end of a lease with substantial excess mileage charges, the Nessers allegedly sought the assistance of Russo, who recruited Palmarini, to "steal" Nesser's vehicle from the Nessers' Bradley Beach residence. Palmarini allegedly attempted to abandon the vehicle in New York City, but detoured to a remote area of Ocean County near Asarco Lake where the vehicle got stuck and Palmarini allegedly set it ablaze. The charges are pending presentation to a Grand Jury.

***Asarco Lake Recoveries*** While investigating the Nesser case, the Ocean

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County Prosecutor's Office turned its attention to Asarco Lake, the site of a former mining operation in Manchester Township reputed to have been the final resting place of a number "abandoned" motor vehicles. While divers from the Manchester Township Police Department identified several vehicles by their VIN numbers, members of the Ocean County Prosecutor's Office organized a major recovery effort, ultimately yielding eleven vehicles, including at least six of which were the subject of suspicious insurance claims. The Ocean County Prosecutor's Office anticipates the filing of criminal charges in conjunction with the illegal disposal of several of these vehicles early in 2001. The Ocean County Prosecutor's Office was assisted in the recovery effort by the New Jersey State Police T.E.A.M.S. Unit, the Vehicle Theft Investigators Association, the Manchester Police Department, the Ocean County Road Department and the OIFP.

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**Passaic County Prosecutor's Office**

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***State v. Jose Siri, et al.*** A four year investigation into two distinct, yet overlapping staged accident rings operating in the Paterson and Passaic City areas has yielded 23 indictments charging 127 subjects since December of 1999. To date, more than 30 of those charged have entered guilty pleas, while others have agreed to cooperate in the continuing investigation.

***Passaic County Auto Theft Task Force*** In the year 2000 the Passaic County Auto Theft Task Force, a special unit within the Passaic County Prosecutor's Office, charged 24 subjects with various theft charges

stemming from fraudulent auto insurance theft claims known as "give-ups." Fifteen of those charged entered guilty pleas before year's end.

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**Somerset County Prosecutor's Office**

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***State v. Jason Narbonne; State v. Steven Siegel*** On March 10, 2000, Jason Narbonne was arrested and charged with the removal of motor vehicle ID numbers. Detectives recovered two stolen vehicles, a Ford Mustang and a Chevrolet Blazer, that had been re-plated. A GMC Jimmy was also recovered, parts of which had allegedly been used to alter the Blazer's identity. The investigation also determined that the chassis of another vehicle, which VIN was affixed to the stolen Mustang, had been destroyed by fire and sold to Steven Siegel, the owner of a high performance auto shop called "5.0" in Maplewood, New Jersey. In a separate investigation, detectives from the Maplewood Police Department executed a search warrant at Siegel's business and located a number of detached VIN plates, resulting in Siegel's arrest. Both defendants are awaiting trial.

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**Union County Prosecutor's Office**

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***State v. Brian Horton*** On August 14, 2000, Horton, a Union County Probation Officer, was charged by the Union County Prosecutor's Office with attempted theft by deception and false swearing after investigation determined that Horton had allegedly falsely reported his vehicle stolen while it remained in his possession. Because of a possible conflict relating to Horton's public employment as a Probation

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Officer in Union County, the matter was transferred by the Criminal Presiding Judge to Middlesex County where Horton was indicted in November of 2000. The case is pending in court.

***State v. Kenneth Williams*** On September 21, 2000, Kenneth Williams, a Plainfield firefighter, was charged with attempted theft by deception, tampering with records and false swearing. Mr. Williams reported his vehicle stolen after it had been towed and while in police custody. This case is presently pending a Pre-Trial Intervention appeal by the defendant after the State objected to his entry into the Pre-Trial Intervention Program.

## **STATE POLICE**

### **Insurance Fraud Unit**

Previously, the New Jersey State Police established an Insurance Fraud Unit, funded by OIFP, to address the widespread problems presented by the use of fictitious auto insurance cards and related types of automobile insurance fraud.

In a reflection of the underlying problem of uninsured motorists in New Jersey, an informal New Jersey State Police survey in 1998 revealed that as many as 37 percent of the insurance cards presented by motorists in the course of routine traffic stops were fraudulent. A fraudulent insurance identification card reflects the fact that the motorist is driving without insurance.

Working in close conjunction with OIFP, the mission of the New Jersey State Police Insurance Fraud Unit is to train state, county and municipal law enforcement

authorities in the identification and investigation of fraudulent insurance cards, and to undertake its own investigations of subjects possessing or producing fraudulent insurance cards with the intent to defeat New Jersey's system of mandatory automobile insurance.

In 2000, the New Jersey State Police Insurance Fraud Unit conducted 128 investigations and arrested 100 individuals on 104 criminal charges. In addition, it issued 159 traffic summonses. While the majority of the Unit's investigations involved the presentation of fraudulent insurance documentation by motorists, other investigations of the Unit involved the illegal sale of fraudulent cards by insurance agents, the sale of "temporary registrations" by an off duty police officer through his used car dealership, and stolen vehicles. The Unit also assisted OIFP, Prosecutors' Offices and municipal police departments in other investigations relating to medical fraud, stolen vehicles and other types of insurance fraud.

In addition to its investigative responsibilities during 2000, the New Jersey State Police Insurance Fraud Unit conducted substantial training, including 18 seminars in which 800 law enforcement personnel received instruction in the detection and investigation of insurance fraud. Members of the Unit also made substantial contributions to the production of OIFP's roll call training videos addressing fraudulent insurance cards, staged accidents and staged auto thefts.

Since its inception, the Unit has been staffed by a Sergeant and five troopers, and is slated for expansion upon the graduation



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of several new classes of troopers from the New Jersey State Police Training Academy in 2001.

### **Auto Theft Unit**

OIFP has also jointly investigated and prosecuted cases with the NJSP Auto Theft Unit. In one case, OIFP and Auto Unit Investigators developed a confidential informant who received automobile “give-ups” from various individuals. In this investigation the informant received vehicles from several middlemen who disposed of the vehicles on behalf of the vehicle owners. As a result of this investigation, 18 individuals were arrested in Hudson County. One arrest resulted in the forfeiture of \$23,000 cash, allegedly the proceeds of drug transactions. This case is currently scheduled for guilty pleas to Accusations and possible presentation to a State Grand Jury.

In another investigation, the Auto Unit developed an informant who led them to a “give-up” operation. The Auto Unit seized more than \$110,000 in “give-up” vehicles in one day from one garage. This matter is currently scheduled for presentation to the Grand Jury.

### **MUNICIPAL POLICE**

Effective coordination among all law enforcement agencies in New Jersey is key to the success of OIFP’s mission to tackle the challenges presented by those who commit insurance fraud. To ensure the full participation of New Jersey’s municipal police departments in this effort, OIFP’s Law Enforcement Liaison has been charged with responsibility for establishing lines of communication with, and offering training

and other assistance to, municipal and other law enforcement agencies with a presence in New Jersey.

While urban police departments have frequently encountered and investigated insurance fraud as resources permitted, most municipal police departments in New Jersey have had little or no training or experience in the investigation of insurance fraud. To address the need for training in this area, and to enable police departments to capably detect, investigate and charge insurance cheats, OIFP has committed to a program of comprehensive insurance fraud training throughout New Jersey, and to the sharing of intelligence and expertise through the sponsoring of periodic regional meetings of law enforcement agencies in different areas of the state.

As indicated in the section of this report detailing OIFP’s training initiatives, OIFP has produced a pair of roll call training videos for distribution to police agencies throughout New Jersey. The first of these training videos provided instruction in the detection of staged accidents and fraudulent insurance cards, and was distributed, along with model “visor cards” and other training materials, to all police departments in April, 2000. The second of these training videos concerns the identification and investigation of staged automobile thefts, and is slated for similar distribution with supporting training materials in 2001.

To provide more formalized training in insurance fraud, either directly to police departments, or through county police training academies, OIFP has developed a comprehensive insurance fraud curriculum

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encompassing ten subject areas ranging from surveillance techniques to questioned document examination. OIFP has apprised all of the counties' police academy directors of OIFP's training capabilities through a presentation at a meeting of the Police Academy Directors' Association, and through appropriate follow-up correspondence to each director. In 2000, OIFP provided training to both municipal police and New Jersey State Police officers at the New Jersey State Police Training Academy in Sea Girt and at county training academies across the state.

### **OTHER LAW ENFORCEMENT**

The Law Enforcement Liaison has worked closely with OIFP's regional Supervising State Investigators and the Prosecutor Liaison to schedule periodic regional meetings of municipal, county, state and federal law enforcement agencies. Meetings are designed to facilitate the sharing of information and expertise, and typically include a presentation on a specific topic such as the forensic examination of questioned documents, the implementation of a program to combat staged auto thefts at shopping malls, and the emergence of new insurance fraud rings.

Throughout the year OIFP established contacts with numerous law enforcement agencies and associations including the New Jersey State Police Traffic Bureau command staff, the New Jersey Highway Traffic Officers Association, the Casino Investigators Association, the New Jersey State Chiefs of Police Association and law enforcement detective associations in Burlington, Camden, and Hunterdon counties. The Law Enforcement Liaison,

with the assistance of the Prosecutor Liaison, has undertaken an effort to identify as many New Jersey investigative agencies and associations as possible for purposes of establishing ongoing channels of communication and, in appropriate cases, sharing of investigative resources.

### **GOVERNMENT**

#### **Coordination with New Jersey Agencies**

##### **Liaison and Continuing Communications Group**

One of the liaison functions required by AICRA is the coordination of communications with the professional/occupational Boards within the Division of Consumer Affairs. The number of professional/occupational Boards within the Division of Consumer Affairs has grown from 13 in 1976 to its current total of 38. Those 38 Boards now regulate over 60 professions and occupations.

OIFP refers relevant insurance fraud matters to the appropriate professional/occupational Board either directly or through the Division of Consumer Affairs Enforcement Bureau which conducts investigations for all of the Boards. In some instances, the information that OIFP provides to the Division of Consumer Affairs results in the initiation of administrative disciplinary action against the professional/occupational licensee. Conversely, information that is obtained by the Division of Consumer Affairs, through either the professional Board itself or the Enforcement Bureau, is submitted to OIFP, which initiates an appropriate investigation, often resulting in the issuance of a consent order including a civil insurance fraud

penalty, or in the initiation of a criminal investigation leading to possible criminal charges. Disciplinary licensure actions taken by the professional/occupational Boards within the Division of Consumer Affairs during calendar year 2000 resulted in disciplinary action against 33 individuals.

The following represents the actions taken by each Board identified:

	<b>Suspension</b>	<b>Revocation</b>	<b>Voluntary Surrender</b>	<b>Reprimand</b>	<b>TOTAL</b>
<b>Chiropractors</b>	1	1	0	0	2
<b>Medical</b>	3	8	1	2	14
<b>Nursing</b>	0	2	0	0	2
<b>Dental</b>	2	0	0	2	4
<b>Pharmacy</b>	1	6	0	0	7
<b>Physical Therapy</b>	0	0	1	0	1
<b>Social Worker</b>	1	1	0	0	2
<b>Optician</b>	1	0	0	0	1
<b>TOTALS</b>	9	18	2	4	33

The Professional Boards Liaison was instrumental in establishing the OIFP Liaison Group in October of 1998. Chaired by the OIFP Professional Boards Liaison, the Group tracks active cases of professional licensees under investigation by OIFP's civil and criminal sections, as well as by the Division of Consumer Affairs Enforcement Bureau, and has met on almost a monthly basis since its inception. The Liaison Group strives to bring together representative individuals from various sections of OIFP and the Division of Consumer Affairs who share the common responsibility for investigating professional licensees suspected of committing

insurance fraud, and provides those in attendance with an opportunity to review and share updates, and offer insights into each active investigation. These monthly meetings of the OIFP Liaison Group have proven invaluable in facilitating the exchange of information among OIFP's civil and criminal sections, the Division of Consumer Affairs Enforcement Bureau, and other members of the Group.

At the end of 2000, the Liaison Group was monitoring 399 active cases, a substantial increase from the 306 active cases carried at the beginning of calendar year 1999. From the inception of the Liaison Group

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through the end of 2000, 184 cases were reviewed and concluded, either because no further action was warranted, or because the matter resulted in a final disposition by OIFP or the appropriate professional licensing Board.

**Department of Banking and Insurance (DOBI)**

A liaison group previously established and comprised of representatives from OIFP, the DOBI Enforcement Division and the Division of Law in the Department of Law and Public Safety, continued in the year 2000 to develop an effective protocol for the coordination of cases of suspected fraud by licensed producers (insurance agents) and public adjusters. The protocol addresses case tracking, sharing of investigative information and the coordination necessary for possible global case dispositions.

Since the establishment of this liaison group, 72 cases have been identified for review and possible joint action, including 17 in which global or partial global settlement is expected. Anticipated dispositions include a combination of criminal convictions, civil fines, restitution and professional license suspension or revocation. As a result of the protocol established by the liaison group, OIFP has also opened investigations of former producers who are no longer licensed.

**Department of Labor**

A protocol developed for the referral of cases and exchange of information among the Labor Prosecutions Unit in the Division of Criminal Justice, OIFP and the Division of Workers' Compensation in the Department of Labor has been undergoing further review. The anticipated revised protocol will further ensure that all matters in which any indicia of criminality exists

will be forwarded by the Department of Labor for prosecutorial review in a timely fashion. The revised protocol will further establish a procedure to refer cases to the appropriate prosecuting agency, whether OIFP, the Division of Criminal Justice's Labor Prosecutions Unit or a County Prosecutor's Office, and to advise the Department of Labor of the matter's status. This revised protocol will further ensure continuing communication among the agencies responsible for workers' compensation enforcement matters. It is anticipated that the close working relationship between OIFP, the Labor Prosecutions Unit and the Division of Workers' Compensation in the Department of Labor will continue.

**Division of Motor Vehicles**

In 2000, OIFP commenced a series of meetings with the Division of Motor Vehicles (DMV) to address issues of mutual concern pertaining to the problem of automobile insurance fraud in New Jersey. At the request of the insurance industry, this series of meetings was initiated to discuss more effective ways for insurance companies to obtain information from DMV for Special Investigations Unit purposes. DMV has been receptive to industry concerns and is currently seeking solutions to address these concerns. In November of 2000 representatives from OIFP and the Division of Law in the Department of Law and Public Safety met with DMV officials to plan the establishment of a liaison group to coordinate matters involving licensed repair facilities suspected of engaging in insurance fraud. This liaison group will focus on the imposition of appropriate licensing sanctions in addition to the levy of insurance fraud fines, and is expected to be fully functional early in 2001.

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## **INTERSTATE INSURANCE FRAUD COORDINATION**

### **National Association of Medicaid Fraud Control Units (NAMFCU)**

The National Association of Medicaid Fraud Control Units is an Association of forty-seven Medicaid Fraud Control Units whose mission is to provide a coordinating point for the nationwide sharing of information on all matters relating to Medicaid fraud investigations. NAMFCU provides training which is accredited by the Federal Law Enforcement Training Center, for investigators, auditors and attorneys from each of the 47 state members. NAMFCU provides important coordination between the state Medicaid Programs, including New Jersey's Program and the United States Department of Justice with respect to investigating, prosecuting, and settling both civil and criminal matters against Medicaid providers who operate nationwide. OIFP's Medicaid Fraud Unit is an active participant in nationwide civil Medicaid fraud settlements by NAMFCU where the targeted providers have billed the New Jersey Medicaid Program.

The Supervising Deputy Attorney General of the Medicaid Fraud Unit has been a member of NAMFCU's Executive Committee for the past six years. He also serves on the Finance Committee and represents NAMFCU in cases that have nationwide implications.

### **Mid-Atlantic States Insurance Fraud Association**

On February 2, 2000, May 9, 2000, and October 17, 2000 representatives of OIFP variously met with representatives from the New Jersey Department of Banking and

Insurance and local insurance fraud and law enforcement agencies from New York, Pennsylvania, Maryland, Delaware, Virginia and Washington, D.C. as part of the Mid-Atlantic States Insurance Fraud Association. This multi-state group meets periodically to share information about insurance fraud trends, newly detected insurance fraud schemes, specific investigations and cases as may be appropriate, and to provide mutual assistance with regard to investigations and targets whose insurance fraud conduct has crossed state lines.

### **State Fraud Directors' Conference**

On October 11 through 13, 2000, senior OIFP staff attended the State Fraud Directors' Conference, a national conference of public agencies dedicated to the investigation and prosecution of insurance fraud. Attendees discussed current insurance fraud trends that have been identified throughout the United States, including those involving staged accident rings, runners and the increasing participation of medical providers in these insurance schemes. OIFP representatives made a presentation at the conference regarding OIFP's public awareness campaign, which included showings of OIFP's television spots and roll call training video. Discussions at the conference focused on the need for expansion of interstate communications among member agencies in attendance.

## **INSURANCE INDUSTRY**

Led by the efforts of its Industry Liaison, OIFP continued in 2000 to build upon its strong working relationship with the

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insurance industry. In the course of the past year, the OIFP Industry Liaison worked closely with the insurance industry on matters of shared concern, provided training and instruction to insurance industry professionals throughout New Jersey, made numerous presentations to insurance industry trade groups on behalf of OIFP, and frequently conferred and coordinated his activities with agencies in and outside of New Jersey. Among the OIFP Industry Liaison's efforts to ensure effective continuing communication between OIFP and the insurance industry was the establishment of working groups comprised of Special Investigations Unit executives and the OIFP Industry Liaison. These working groups met regularly throughout the year to identify and articulate concerns of the insurance industry with respect to insurance fraud in the auto, health, and general insurance markets.

Working groups' progress reports were presented at quarterly mini-summit meetings with OIFP executive staff, and the groups' final conclusions and recommendations were presented at the Annual Insurance Fraud Summit sponsored by OIFP, the Insurance Council of New Jersey and the New Jersey Special Investigators Association (NJSIA) Annual Conference held in Cherry Hill, New Jersey on October 10, 2000. The efforts of these working groups constitute the foundation for several of the recommendations set forth at the conclusion of this report.

OIFP is committed to maintaining a productive dialog with the insurance industry about matters of shared concern as they relate to insurance fraud, and

anticipates an expansion of these working groups to involve additional state agencies in the future.

Between February and November of 2000, the OIFP Industry Liaison trained over 800 insurance industry professionals in 22 training sessions with regard to recently enacted requirements for referring cases to OIFP. In October the OIFP Industry Liaison conducted a workshop for insurance industry personnel at the annual NJSIA Conference, highlighting initiatives undertaken by OIFP during 2000 including OIFP's roll call video and public awareness campaign. The OIFP Industry Liaison also instructed attendees regarding completion and submission of the new case reporting forms.

In May the OIFP Industry Liaison participated in a panel discussion regarding current insurance fraud issues with the New Jersey Association of Health Underwriters (NJAHU) at their annual conference in Atlantic City, New Jersey. The NJAHU is an organization with five local chapters, whose members have worked with state representatives responsible for the Small Employer Health Benefits Plan and the Individual Health Coverage Program, as well as the New Jersey KidCare Program.

The OIFP Industry Liaison was a frequent speaker and presenter at insurance industry meetings throughout the year including appearances before the South Jersey Claims Association, the Atlantic County Association of Insurance Women, the Cape May County Independent Agents Association, the Delaware Valley Claims Association, the Prudential Advisory

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Council on Investigation, the International Association of Insurance Auditors, the Mid-Atlantic Region Health and Safety Expo 2000, the Independent Insurance Agents of Monmouth County and the Liberty Mutual and Atlantic Mutual Insurance Companies.

The Industry Liaison worked closely with the Division of Anti-Fraud Compliance in the Department of Banking and Insurance to organize the review of fraud plans submitted by carriers regarding the referral criteria outlined for monetary threshold proposals pursuant to N.J.A.C. 11:16-6.6(b)3. OIFP's Industry Liaison also actively participated in an Insurance Fraud

Working Group for the Insurance Fraud Prevention Authority in the State of Pennsylvania, which, with various insurance carriers, is developing recommendations for legislative and regulatory reform to enable Pennsylvania authorities to more effectively investigate and prosecute insurance fraud. The OIFP Industry Liaison continues to serve as a board member of the NJSIA and to participate in the board's monthly meetings. The NJSIA is a trade group comprised of law enforcement and industry investigators responsible for handling insurance fraud matters in their respective agencies and companies.

## **OIFP TRAINING INITIATIVES**

As the New Jersey agency charged with leading the campaign against insurance fraud, OIFP has undertaken an ambitious program of insurance fraud training encompassing a wide variety of subjects and incorporating several training formats. In addition to providing for the training needs of its own staff of Deputy Attorneys General, investigators and support staff, OIFP has crafted training modules and developed other training tools which afford insurance fraud training opportunities for every level of law enforcement and private industry. OIFP training is sometimes provided jointly with instructors from other agencies such as the New Jersey State Police Insurance Fraud Unit or Offices of the County Prosecutor, or solely by instructors from OIFP.

In the year 2000 OIFP conducted, or joined in conducting, insurance fraud related training on at least 73 occasions, including many in which OIFP personnel were also enrolled as participants. These training efforts will continue to increase in

the year 2001 as OIFP's Training Program expands into county police training academies and municipal police departments across the state.

### **Basic Course for Civil Investigators (BCCI)**

All newly hired civil investigators within OIFP must successfully complete a comprehensive five week training curriculum designed to provide a common core foundation of the basic investigative skills required of every entry level OIFP civil investigator. The curriculum explains the most common types of insurance coverage and explores the fraud techniques typically associated with each such type of coverage. The curriculum also emphasizes investigative resources and case management techniques, and covers such diverse subjects as report writing, interviewing techniques, rules of evidence, surveillance techniques, computer fraud, insurance terminology and the development of informants.

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All trainees participate in a “hands-on” training exercise in which they are presented with one of several real case scenarios, and are encouraged to apply the investigative skills they have acquired in the course of their training. At the conclusion of this exercise, trainees prepare a report of their investigative efforts, culminating in their testifying as witnesses in a moot court setting.

### **Advanced Insurance Fraud Investigations Training Program (AIFITP)**

This OIFP training program is designed to provide experienced investigators with the opportunity for advanced training in specialized areas of insurance fraud such as auto theft and arson investigations, public adjuster fraud and the imposition of sanctions by professional licensing boards. The curriculum has enabled OIFP to broaden its own base of internal expertise while offering highly specialized training segments to sister law enforcement agencies throughout the state. The curriculum is comprised of discrete blocks of instruction of two to four hours each, depending upon the segment selected and the agency’s particular training needs. The blocks of instruction have been designed so that the curriculum may be presented to both civil and criminal law enforcement at the local, county or state levels.

### **Basic Insurance Fraud Training Program (BIFTP)**

OIFP developed the Basic Insurance Fraud Training Program for personnel of County Prosecutors’ Offices. The program mirrors the Basic Course for Civil Investigators in such subject areas as types of insurance coverage, commonly encountered frauds, and the selection and employment of

appropriate investigative techniques. Although initially designed as a one week course of training, it has been expanded to accommodate additional subject matter.

### **Other OIFP In-Service Training**

In addition to OIFP’s Basic Course for Civil Investigators and Advanced Insurance Fraud Investigators Training Program, OIFP personnel are frequently afforded the opportunity to attend additional in-service training designed to improve upon their current level of investigative and prosecutorial skills. As employees of the Division of Criminal Justice, OIFP staff may avail themselves of the same in-service training opportunities that are open to all Division of Criminal Justice employees, ranging from trial advocacy, money laundering investigation techniques, and financial investigative analysis to several levels of varying types of computer skills. In addition, OIFP periodically offers OIFP staff its own in-service training opportunities designed to sharpen skills specifically relating to insurance fraud investigations, such as training relating to the investigation of public adjusters, Medicaid fraud and fraudulent provider billing practices.

### **Roll Call Training Videos**

Roll call training videos are an important component of OIFP’s overall program of training for municipal police officers. Because training videos may be viewed at any time, either individually or in groups, their use as training tools can minimize otherwise difficult scheduling issues within police departments. The use of training videos also ensures the delivery of uniform content and quality while reducing demands on the time otherwise required of



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the OIFP personnel who conduct insurance fraud training in addition to their primary responsibilities of investigation and prosecution.

By the close of 2000, OIFP had completed production of two roll call training videos. The first training video, addressing the detection and investigation of fraudulent insurance cards and staged accidents, was distributed with complementary training materials to over 700 local and county law enforcement agencies in April of 2000. The complementary training materials included model visor and wallet reference cards for patrol officers, setting forth "red flag" indicators of motorist fraud, as well as a master list of insurance company "hot-line" telephone numbers for use by police dispatchers in verifying insurance coverage.

The second roll call training video concerning the detection and investigation of staged auto thefts, or "give-ups," is undergoing editing and is scheduled for similar distribution with complementary visor and wallet cards and other supplemental training materials early in 2001. This training video is an important part of the implementation of OIFP's "Give-Up Initiative," which represents a concerted effort by OIFP, with the support and cooperation of other law enforcement agencies, to address the growing problem of fraudulent vehicular theft claims.

### **Regional Law Enforcement Coordination Meetings**

Each of OIFP's three regional offices periodically hosts regional law enforcement coordination meetings of law enforcement agencies involved in the detection and investigation of insurance fraud. While those meetings provide participating

agencies with an opportunity to establish contacts and to share intelligence and expertise, each meeting also includes an instructional presentation relating to insurance fraud. Topics in 2000 ranged from the emergence of non-traditional organized crime rings to the manner in which a law enforcement agency may design and implement a program to stem fraudulent auto theft claims at major shopping malls. Meetings are typically attended by members of federal, state, county and local law enforcement agencies, as well as by key OIFP personnel. It is estimated that in 2000, over 50 different law enforcement agencies benefitted by their participation in these regional meetings.

### **Offices of the County Prosecutor**

Because of the County Prosecutor's status as chief law enforcement officer in each county, Offices of the County Prosecutor throughout New Jersey play a critical role in the State's response to insurance fraud. The partnerships forged between OIFP and Prosecutors' Offices extend beyond the sharing of investigative resources and reciprocal referrals of cases and intelligence to the partnering of insurance fraud training efforts. As indicated elsewhere in this report, OIFP conducted a two day course of instruction for assistant prosecutors and County Prosecutor investigative personnel in May of 2000, followed by an insurance fraud roundtable at the prosecutors' annual conference in September of 2000. Throughout the course of the year, OIFP and Offices of the County Prosecutor frequently sought mutual assistance conducting the joint training of local law enforcement personnel. It is anticipated that this partnership will continue to grow as OIFP's training

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initiative expands into New Jersey's county police training academies in 2001.

**Insurance Industry Professionals**

The training of insurance industry professionals in the operations of OIFP and the manner in which the industry can most effectively coordinate its insurance fraud investigations with OIFP is crucial to the

success of our collective efforts to combat insurance fraud. The OIFP Industry Liaison conducts an active program of presentations and instruction to members of the insurance industry throughout the year. In 2000, in addition to his other responsibilities, the OIFP Industry Liaison offered training or instruction on 51 occasions, reaching over 2500 individuals.

**OIFP SYSTEMS DEVELOPMENT**

**Case Management and Tracking**

The initial phase of the Law Manager integrated computerized case tracking system is on schedule for implementation by the end of the first quarter of 2001. When completed, all historical case related data currently found on the various case tracking systems used by the Division of Criminal Justice will reside on a single database, and will be accessible to authorized users through a customized software application developed by an outside legal software vendor. Phase one will enable users to refer to a single source for both civil and criminal case information, and to conduct searches through historical and current case data using one centralized computer system. Planning is underway for further customization which will provide even more sophisticated and comprehensive searching and reporting capabilities.

**All Claims Database**

In 2000, OIFP advanced toward establishment of the comprehensive database of insurance claims required under AICRA as set forth at N.J.S.A. 17:33A-22. After extensive research commencing in 1999, and the subsequent appointment of a project manager in 2000, a Request for Proposal (RFP) was issued for potential vendors on November 16, 2000. The RFP solicited proposals for the development and implementation of a comprehensive database to include claims information on stolen vehicles, bodily injury claimants and property damage in automobile accidents, and PIP and other health care insurance claims. Following a bidder's conference on December 5, 2000, an addendum to the RFP was transmitted to prospective contractors on December 18, 2000. Bid submissions were due on January 23, 2001 vendor selection by the evaluation committee is scheduled for completion by February 28, 2001 and work by the successful contractor is scheduled to begin within 20 days of contract award.

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## **PUBLIC AWARENESS ENDEAVORS**

The message of deterrence resulting from OIFP's record of successful prosecutions is amplified by OIFP's program of public awareness initiatives. The focal point of OIFP's public information program over the past year and a half has been the OIFP Public Awareness Media Campaign consisting of radio and television spots, and print ads appearing on billboards and buses on major transportation routes in New Jersey. The first phase of the Media Campaign, which ran from October of 1999 through April of 2000, was designed to focus the public's attention on the problem of insurance fraud, to inform the public of OIFP's mission and to encourage the public's assistance in the reporting of instances of suspected insurance fraud.

This phase featured two sets of ads portraying, respectively, an affluent "professional" named Richard who has accumulated his wealth by committing insurance fraud, and a youthful female injury claimant who is sufficiently healthy to nimbly dance the night away at a lively night spot. The second phase of the Media Campaign, which runs from October of 2000 through the spring of 2001, shifts from a "call to action," to a strong message of deterrence, by following Richard as he is arrested, convicted and jailed for his crimes. Both phases of the Media Campaign prominently feature the OIFP toll free telephone hotline number for reporting insurance fraud, as well as the OIFP web site address.

OIFP's interactive web site provides the public with general information regarding the most common types of insurance fraud,

as well as with several alternative methods of reporting suspected insurance fraud to OIFP, including an e-mail link to OIFP, an on-line reporting form and OIFP's hotline telephone number. The OIFP web site also posts insurance industry reporting forms and Fraud Prevention Detection Plan requirements, OIFP's most recent Annual Report and a compendium of OIFP's news releases.

To keep the public apprised of its efforts, and to emphasize the criminal consequences of insurance fraud, OIFP routinely issues news releases chronicling significant public developments in the course of its criminal prosecutions.

In addition to its web site, news releases and continuing Media Campaign, OIFP conducts an active program of outreach to public agencies and private organizations. OIFP's Industry Liaison, for example, is a founding member of the New Jersey Special Investigators Association and plays a significant role in organizing, and establishing the agenda for its annual conference which is attended by over 800 members of the insurance industry who are responsible for investigating insurance fraud. The Law Enforcement and Prosecutor Liaisons have, similarly, sought opportunities to address appropriate agencies and organizations regarding insurance fraud, most recently appearing before the New Jersey Chiefs of Police Association and the Municipal Court Administrators Association of New Jersey at its annual meeting at the New Jersey League of Municipalities Conference. These outreach efforts are designed to identify

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agencies and organizations that may make a contribution to combating insurance fraud, and to provide them with the information and tools necessary to provide that assistance.

## **PUBLIC RECOGNITION**

In calendar year 2000, OIFP was honored to have been recognized as a leader in the fight against insurance fraud. In March of 2000, OIFP was featured nationally in both the Fraud Report of the Coalition Against Insurance Fraud and the Health Care Fraud Report published by the National Association of Attorneys General.

OIFP staff were called upon to provide guidance and assistance to organizations such as the National White Collar Crime Center, the National Association of Medicaid Fraud Control Units, the Pennsylvania Fraud Prevention Authority, the Mid-Atlantic States Insurance Fraud Association and the State Fraud Directors' Conference. OIFP staff were also individually honored by various organizations, such as the New Jersey Special Investigators Association, for their contributions in combating insurance fraud.

OIFP's Public Awareness Media Campaign was recognized by leaders in the marketing and advertising community which awarded the campaign top honors for effectiveness and creativity. First place trophies were given to the OIFP television and radio commercials by the New Jersey Business Marketing Association, the New Jersey Advertising Club and the New Jersey Communications and Marketing Association.

How'd they find out?

INSURANCE FRAUD  
IS A  
**SERIOUS**  
**CRIME.**

Don't Do It. Don't Tolerate It.

Call  
Confidentially **1.877.55.FRAUD**

NEW JERSEY OFFICE OF INSURANCE FRAUD PROSECUTOR. **LAFPS**

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## RECOMMENDATIONS PURSUANT TO N.J.S.A. 17:33A-24

N.J.S.A. 17:33A-24 requires the OIFP to make appropriate legislative and regulatory recommendations. Among them are:

1. Criteria are set forth at N.J.S.A. 17:33B-13 pursuant to which an applicant for automobile insurance may be denied status as an “eligible person” to be afforded coverage in the voluntary automobile insurance market. Persons who are not eligible for coverage in the voluntary market are placed in the Personal Automobile Insurance Plan (PAIP) pursuant to N.J.S.A. 17:29D-1. The criteria for eligible persons currently provide that those who have been convicted of an insurance fraud offense, or have been successfully denied an automobile insurance claim in excess of \$1,000 on grounds of fraud, may be excluded from eligibility for insurance in the voluntary market. It is possible, however, that a person who has violated the Insurance Fraud Prevention Act may qualify as an “eligible person” for voluntary insurance market coverage because that civil violation did not result in a criminal conviction or in the denial of an automobile insurance claim in excess of \$1,000. This gap in the criteria relating to the definition of an “eligible person” may be rectified by amendment of the statute adding, as an additional ground for exclusion for eligibility, that the applicant for automobile insurance “admitted violating, or has been adjudicated to have violated,” the Insurance Fraud Prevention Act. This recommendation is based upon the findings of the OIFP Automobile Insurance Workgroup which identified this statutory gap and suggested that the current statute be amended with language that would, in effect, make any person who violates the Insurance Fraud Prevention Act ineligible for insurance coverage in the voluntary automobile insurance market.
2. The authority to suspend or revoke the license of a person or business who has engaged in insurance fraud is one of the State’s most effective tools in combating insurance fraud, both in limiting the offending party’s ability to continue its fraudulent conduct, and in deterring others from engaging in insurance fraud. As the head of the New Jersey agency responsible for regulatory oversight of the State’s automotive businesses, the Director of the Division of Motor Vehicles is expressly empowered by statute to suspend or revoke the license of a motor vehicle dealer or auto body repair facility under specified circumstances. However, neither of the statutes providing such authority, N.J.S.A. 39:10-20 and N.J.S.A. 39:13-4 respectively, includes violation of the Insurance Fraud Prevention Act as grounds for such licensure action by the Director. OIFP would recommend that these statutes be amended to add, as grounds for licensure sanctions by the Director of the Division of Motor

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Vehicles, that a motor vehicle dealer or auto body repair facility has been convicted of a crime or offense related to insurance fraud, or that such business has admitted to, or been adjudicated of, violating the Insurance Fraud Prevention Act.

3. Insurance carriers are severely limited in their ability to promptly terminate an automobile insurance policy or application where underwriting fraud has been discovered. Current New Jersey law and regulations would seem to limit insurers' recourse under such circumstances to non-renewal of the insurance policy until after it expires. (See N.J.S.A. 17:29C-7.1.f) It is recommended that this problem be rectified by amending the current statute providing authority for auto insurance policy cancellations, to add, as grounds for cancellation, that the insured has been determined to have made a material misrepresentation in the application for the current insurance policy, or that, during the current policy term, the insured has admitted to violating, or has been adjudicated to have violated, the Insurance Fraud Prevention Act. This recommendation is based upon identification of this gap in the regulations by the OIFP Automobile Insurance Workgroup and its proposal for appropriate legislative amendments.
4. Insurers are currently precluded from non-renewing an automobile insurance policy on grounds of an insurer's failure to complete and return a renewal questionnaire without first giving written notice to

the policy holder one full policy cycle prior to the issuance of the notice of non-renewal. This notice requirement effectively mandates that insurers maintain insurance policies for extended periods despite the insured's failure to cooperate in providing current underwriting information, which may have changed significantly since the policy's inception. OIFP recommends that legislation be enacted to rectify this problem by reducing the notice period from a full policy cycle to 30 days and/or by adding, as grounds for cancellation, the insured's failure to return a fully completed renewal questionnaire within 30 days of its due date.

5. Undisclosed drivers in a household frequently avoid detection because the current regulation requires that an applicant for an automobile insurance policy disclose only information "regarding each resident licensed driver who is to be a named insured." The identification of other possible drivers within an insured household would enable insurance carriers to more accurately determine the applicant's underwriting risk and to calculate appropriate premiums commensurate with that risk. OIFP recommends that the regulations setting forth information required of applicants for automobile insurance be amended to authorize the inclusion on an automobile insurance application of information regarding any resident of the household who has reached his or her seventeenth birthday.

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6. A court is required to award reasonable attorneys fees and costs to the State under N.J.S.A. 17:33A-5 in an action by the State to recover civil insurance fraud penalties for violations of the Insurance Fraud Prevention Act. Similarly, N.J.S.A. 17:33A-7a requires the award of reasonable attorneys fees and costs to an insurance company which successfully sues to recover compensatory damages from a party that has defrauded the company. However, in an apparent inconsistency within the Act, an award of attorneys fees and costs to the State is only discretionary (and not mandatory) by the Court when the State's action to recover civil penalties is by way of intervention in the insurance company's pending suit. N.J.S.A. 17:33A-7d. This inconsistency can produce anomalous, and OIFP believes unintended, results, as in one recent case where the State intervened and prevailed in an insurance company lawsuit, but was denied an award of attorneys fees. After the State intervened, presented its case, and prevailed on the merits, the insurance company successfully filed a summary judgement motion based on the Court's findings in the State's case, and was awarded \$18,000 in fees. We recommend that N.J.S.A. 17:33A-7d be amended to bring it into conformity with the other provisions of the Insurance Fraud Prevention Act requiring the award of attorneys fees by making the award of attorneys fees mandatory in cases where the State successfully intervenes in a pending insurance company lawsuit.
  7. Magnetic Resonance Imaging (MRI) is a commonly used imaging technique for producing images of the inside of the human body and is used to identify and diagnose traumatic injuries such as those that may result from automobile accidents. Recent experience has shown that the high fees commanded by MRI facilities, which can average as much as \$1,000 per scan, and the lack of thorough background checks of MRI licensees, makes the MRI industry vulnerable to infiltration by persons suspected of harboring criminal purposes and other unscrupulous operators. To ensure the integrity of those who operate MRI facilities, OIFP recommends the implementation of a comprehensive system of background checks of prospective MRI licensees similar to those employed in the casino, check cashing and alcoholic beverage industries.
  8. Current New Jersey law appears to allow virtually unfettered access to police department motor vehicle accident reports for "runners" and others seeking to solicit those listed on an accident report to file insurance claims. Such unrestricted access often encroaches upon the privacy interests of those listed on the reports when they are subjected to unwanted solicitations to file personal injury claims, sometimes only hours after the accident has occurred. Such unrestricted access also subjects those listed on the reports to the release of sensitive personal information, such as home address, date of birth and driver's license number, to any individual, leaving



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those listed on the reports vulnerable to identity theft, or targeting at their homes for burglary or crimes of violence. Additionally, New Jersey law with respect to police departmental motor vehicle accident reports currently, in effect, reduces police departments to the status of “clerks” who gather and copy the accident reports for private business enterprises which more frequently make blanket requests for those accident reports. OIFP would recommend that the Legislature give careful consideration to the enactment of reasonable standards for authorizing the release of accident reports to those with a legitimate need for the information which accident reports contain.

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# **A P P E N D I X**