

**Plan of Operation  
For  
Motor Vehicle Theft  
And  
Insurance Fraud Prevention Board  
(Insurance Fraud)**



**STATE OF NEW YORK**  
Division of Criminal Justice Services  
Office of Strategic Planning  
Bureau of Justice Funding  
On behalf of the  
Motor Vehicle Theft and Insurance Fraud Prevention Board

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The 2009 edition is published by

New York State  
Division of Criminal Justice Services  
Office of Strategic Planning  
Bureau of Justice Funding  
4 Tower Place  
Albany, New York 12203

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# Statewide Plan of Operation : Motor Vehicle Insurance Fraud

## Introduction

In accordance with the legislative intent of Article 36-A of the Executive Law, the New York State Motor Vehicle Theft and Insurance Fraud Prevention Board will develop and recommend to the Commissioner a **Plan of Operation** (Plan) which shall provide for a coordinated approach to curtailing motor vehicle theft and motor vehicle insurance fraud throughout the State. The Plan shall provide an integrated means to detect, prevent, deter and reduce motor vehicle theft and insurance fraud by providing funds, upon the recommendation of the Board and approval by the Commissioner, to meet these objectives.

The Board is committed to ensuring that the Plan of Operation reflects not only the interests and concerns of those State and local officials whose duty it is to enforce the criminal laws and to direct the administration of justice in New York State, but also the views of the insurance industry, neighborhood and community groups, professional organizations, and citizens as well. In developing the plan, the Board has embraced the following programmatic approach which has been proven effective in motor vehicle theft and insurance fraud prevention efforts in other states and based upon input from the Statewide Strategy Group. The areas of concentration for the plan are as follows:

- **Law Enforcement / Detection / Apprehension**
- **Prosecution / Adjudication / Conviction**
- **Public Awareness / Prevention / Education**
- **Legislative Efforts**

Due to the divergent nature of the problems of motor vehicle theft and insurance fraud, the Board agreed to address these two problems with two separate plans. This document addresses only motor vehicle insurance fraud.

## Eligible Programs

In accordance with the legislative intent of Article 36-A of the Executive Law, § 846-m, activities eligible for funding include, but are not limited to, the following:

- Prosecution and adjudication services (county and municipal agencies, only).
- Law enforcement services (county and municipal agencies, only).
- Neighborhood or community based programs designed to reduce the incidence of motor vehicle theft and motor vehicle insurance fraud.

- Educational programs designed to prevent the incidence of theft of motor vehicles and fraudulent practices.
- Programs designed to examine, evaluate and make recommendations relating to the efficacy of motor vehicle theft prevention devices or methods. This includes, but is not limited to passive tracking devices designed to identify the location of a motor vehicle at any given point in time and window glass etching with vehicle identification numbers or any other unique identifying symbol including decal programs.

## **Outline of Statewide Plan of Operation**

The Plan is representative of an effective strategy that can easily be adapted by local, county and state agencies to decrease the incidence of motor vehicle insurance fraud through integrated means that detect, prevent, and deter. The Plan is presented in the following format:

### *Part One: Problem Identification of Motor Vehicle Insurance Fraud*

The collection of accurate and timely crime data is essential in the identification of a motor vehicle insurance fraud problem, whether it is derived from the Uniform Crime Reports (UCR) for the FBI and DCJS or data that an agency otherwise gathers to answer the ‘Who’, ‘What’, and ‘When’ of motor vehicle insurance fraud and related crimes.

### *Part Two: Analysis of The Motor Vehicle Insurance Fraud Problem In New York State*

By analyzing timely and accurate data, an agency is assisted in answering the ‘Why’ for the occurrence of motor vehicle insurance fraud and related crimes. This is essential in the development of an effective crime reduction strategy that targets the problem identified. The Plan analyzes motor vehicle insurance fraud and related crimes statewide and regionally.

### *Part Three: Areas of Concentration within the Plan of Operation*

The Plan shall provide an integrated means to detect, prevent, deter and reduce motor vehicle insurance fraud and related crimes. There are four areas of concentration that the Plan identifies as essential for an effective statewide strategy: **Law Enforcement / Detection / Apprehension; Prosecution / Adjudication / Conviction; Public Awareness / Prevention / Education;** and, **Legislative Efforts**. Each of these areas contain elements that have been identified by experts in the field as effective strategies within the area of concentration.

### *Part Four: Evaluation*

The Plan presents standardized performance measures that are recommended for inclusion by law enforcement and prosecution agencies in the evaluation of their strategy to decrease motor vehicle insurance fraud and related crimes.

### **III. Dimensions of Motor Vehicle Insurance Fraud In New York State**

#### **National Overview**

During the 1960's, traditional motor vehicle liability insurance became the target of public criticism due to the often expensive and time-consuming process of determining who was at fault and, therefore, legally liable when an accident occurred. In response to this dissatisfaction by consumers and the insurance industry, many states enacted no-fault legislation that allows accident victims to recover such financial losses as medical and hospital expenses and lost income from their own insurance companies without liability being assigned. Enacted in 1974, New York was one of twelve states that initiated true no-fault motor vehicle insurance.

However, as claims increased in the area of no-fault insurance, insurance fraud crimes involving motor vehicles also increased across the United States. In many states, the financial benefits of having no-fault insurance are being eliminated due to the higher premiums now paid for coverage. According to the Insurance Information Institute as of February 2008 only 11 states have no-fault insurance laws.

On a national level, identifying the crimes of motor vehicle insurance fraud in order to develop trends which assist in targeting enforcement initiatives is difficult. Unlike the crimes of motor vehicle theft, theft from a motor vehicle and theft of motor vehicle parts and accessories, statistics on motor vehicle insurance fraud crimes are not part of the Uniform Crime Report maintained by the Federal Bureau of Investigation. Currently, there are no uniform definitions of insurance fraud among the states. While insurance fraud is illegal in all states, the level of seriousness attached to the crime also varies by state. Some states classify insurance fraud or certain types of fraud as a felony, others as a misdemeanor or the dollar amount involved can affect whether it is considered a felony.

According to the Insurance Information Institute only 20 states require the special investigation units of insurance companies to forward all suspicious claims to their state's fraud bureau. These reports are "suspected incidents" of insurance fraud and not all are prosecuted criminally by the insurance company but handled in-house or by civil actions. Prompted by the incidence of insurance fraud, 41 states have set up fraud bureaus (some bureaus have limited powers, and some states have more than one bureau to address fraud in different lines of insurance).

Indicators of trends for motor vehicle insurance fraud crimes are collected by research groups that represent the insurance industry, such as the Insurance Information Institute, the Insurance Research Council, Coalition Against Insurance Fraud and National Insurance Crime Bureau. It is from these resources and the New York State Insurance Frauds Bureau that the following information has been acquired.

At the end of 2004, the Coalition Against Insurance Fraud said that motor vehicle insurance fraud amounts to \$14 billion in false claims a year. A ground breaking study by the Insurance Research Council in 1996 found that one-third of all bodily injury claims for motor vehicle

accidents contained some amount of fraud. Most of the 33 out of 100 bodily injury claims identified as fraudulent included “padding” or “build up” - exaggeration of injuries based on actual accidents.

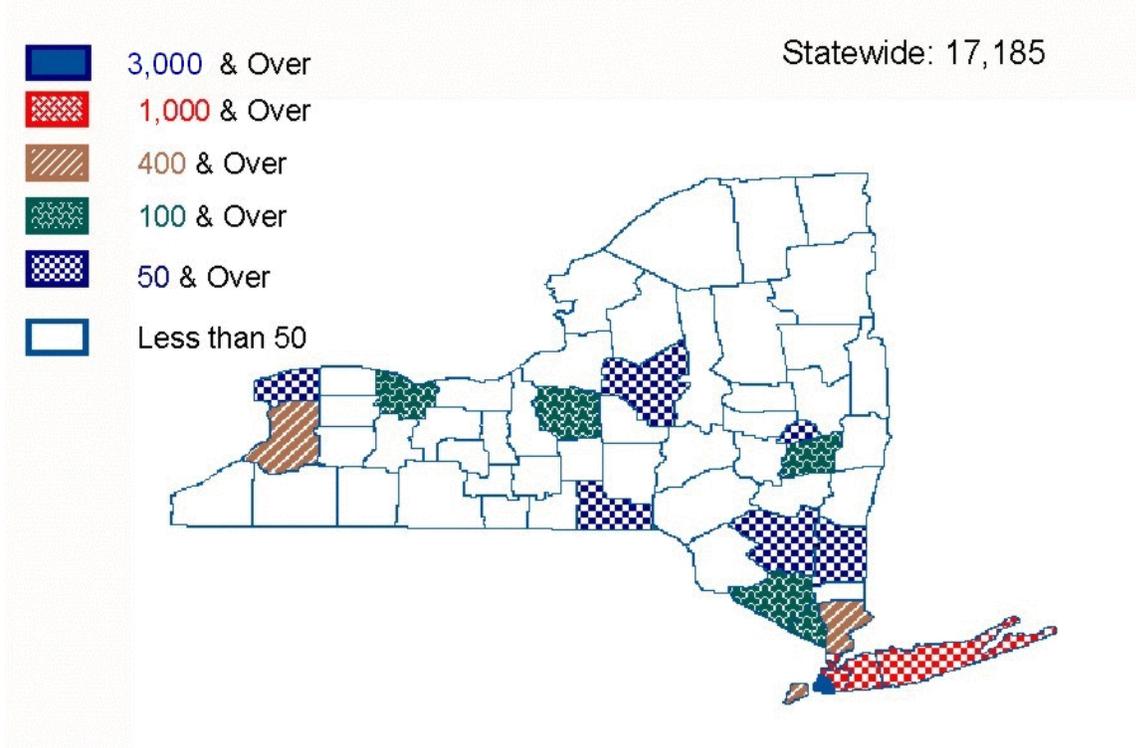
The National Insurance Crime Bureau has identified the ten cities with the highest numbers of staged auto accidents. One of the many types of staged accidents involves a vehicle that is positioned in front of an unsuspecting motorist and brakes suddenly, causing a rear-end crash. Miami, Florida leads the list which was compiled in March, 2006.

- |                     |                  |
|---------------------|------------------|
| 1. Miami, FL        | 6. Tampa, FL     |
| 2. Los Angeles, CA  | 7. Cleveland, OH |
| 3. Houston, TX      | 8. Orlando, FL   |
| 4. Chicago, IL      | 9. New York, NY  |
| 5. Philadelphia, PA | 10. Boston, MA   |

### Statewide Statistics

In 2008, there were 17,185 incidents of suspected motor vehicle insurance fraud reported to the Insurance Frauds Bureau of the NYS Insurance Department (Appendix G), including motor vehicle theft, motor vehicle fire, and larceny from an motor vehicle, motor vehicle vandalism, motor vehicle collision damage, motor vehicle fraud bill, motor vehicle insurance cards, and motor vehicle miscellaneous and No-Fault.

New York State  
Incidents of Motor Vehicle Insurance Fraud Reported-Year 2008



These crimes add an estimated 10% to the cost of insurance premiums paid by policyholders in New York State. As the legislative findings associated with the creation of the demonstration program point out: “Motor vehicle theft and motor vehicle insurance fraud are a major problem in New York and costs honest motor vehicle policyholders billions of dollars annually. As the cost of motor vehicle insurance continues to rise, this essential coverage has become less affordable and more out of reach for many New Yorkers.”

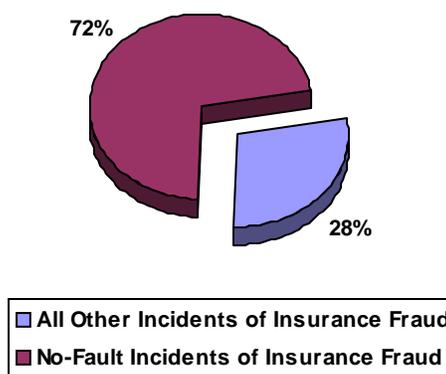
Since 1997, New York State has experienced an alarming increase in the number of reports of suspected insurance fraud from insurers in the State (please see note, Appendix G). The area of fraud showing the greatest increase is that of No-Fault related fraud.

The NYS Insurance Frauds Bureau has seen reports of no-fault insurance fraud decrease from 15,095 incidents in 2002 to 12,339 in 2008, which now accounts for over 72% of all reported motor vehicle insurance fraud. Excluding no-fault motor vehicle insurance, the number of fraud reports increased by 1.87% between 2002 and 2008.

A recent study by the Insurance Research Council (IRC) compared private passenger motor vehicle claim patterns for New York State and New York City with national no-fault trends and the results of previous IRC studies. In every category, claim patterns within metropolitan New York City drove insurance costs significantly higher than in the rest of the state.

Although New York City has documented declining reports of motor vehicle theft, the City of New York, as a region, still has the highest rates of motor vehicle insurance fraud (140.3 per 100,000 population) in the State. In 2008, Kings County had the highest rate of motor vehicle insurance fraud based on population (173.2 per 100,000 population) and accounted for approximately 25.6% of the reported incidents of motor vehicle insurance fraud in the State.

**2008 Reported Incidents of Insurance Fraud**



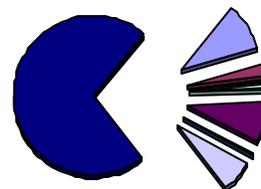
Reported Incidents of Motor Vehicle Insurance Fraud 2008			
County	No-Fault Insurance Fraud	All Other MV Insurance Fraud	Total
Kings	3,738	678	4,416
Queens	2,543	739	3,282
Bronx	1,371	488	1,859
New York	1,173	531	1,704
Nassau	1,223	311	1,534
Suffolk	984	393	1,377
Westchester	201	215	416
Erie	134	277	411
Richmond	287	167	454
Monroe	44	165	209

In New York City, a bill aimed at curbing motor vehicle insurance fraud, particularly medical clinics, established specifically to file fraudulent no-fault claims, was signed by Mayor Michael Bloomberg in 2006. The legislation requires medical clinics that handle a large volume of no-fault claims to file information with the City about their ownership, management and the percentage of medical bills that are no-fault claims. The legislation also prohibits the hiring of “runners” to help solicit individuals to participate in no-fault fraud. An Insurance Research Council study found that although the city’s residents are not more seriously injured than other New State residents, their claims cost far more and are far more likely to be seen as involving fraud or some degree of “build-up” of legitimate claims by professionals who reviewed the files. Recent legislation requiring the purchase of an index number for all court filings may also reduce the number of fraudulent cases.

The State agency primarily responsible for addressing the problems of insurance fraud is the Insurance Frauds Bureau of the State Insurance Department, which was created in November of 1981 to detect and apprehend those who commit insurance fraud and to change the public perception of insurance fraud as a victimless crime. The Insurance Frauds Bureau assists law enforcement agencies, prosecutors and insurance companies throughout the state through investigations, data sharing and training. Through the coordination of investigations with state and local law enforcement agencies, the NYS Insurance Frauds Bureau arrested 604 individuals in 2006.

The combined investigative and prosecutorial efforts of state and local law enforcement agencies to combat motor vehicle insurance fraud as well as effective changes in the insurance laws of the state have produced positive results. From year-end 2002 to June 30, 2004 the average personal injury claim dropped from \$8,489 to \$6,229. Looked at another way, New York State’s motor vehicle insurers were paying out 86 cents in claims for every premium dollar collected in 2002. By June 30, 2004 they were paying out 61 cents in claims. Rates for drivers in the state’s assigned risk plan, the motor vehicle insurance market of last resort, dropped 2 percent in August, 2004. As a result of this effort, the following insurance carriers have decreased their rates between 3 to 7 percent: Allstate, AMICA, GEICO, MetLife, Nationwide, New York Central Mutual, Progressive, State Farm and Travelers.

**Suspected Incidents of Motor Vehicle Insurance Fraud New York State 2008**



Auto Theft Fraud	Auto Fraud Fire
Theft from Auto	Auto Vandalism
Auto Collision Damage	Fraud Bill
Fraud Insurance Cards	Misc. Auto Fraud
No-Fault	

## ***Part II: Analysis of Motor Vehicle Insurance Fraud In New York State***

**Motor vehicle insurance fraud**, in general, is any intentional deceptive conduct relating to one's contact with, use, registration, or ownership of a motor vehicle or treatment of its occupants in the context of insurance claims involving theft, property damage, accidents, bodily injury or medical care. It may occur during the process of selling, buying, underwriting or using insurance, is almost always committed for the purpose of financial gain, and frequently involves the commission of other crimes.

### **Types of Insurance Fraud**

Insurance fraud diverts vital resources away from businesses, law enforcement, the civil justice system, regulatory agencies and local emergency services. Although frauds can be simple, very complex and elaborate schemes are increasing as thieves have realized the profit that can be gained from committing these types of crimes and, until recently, the relatively low risk of apprehension, prosecution, and imprisonment. Thieves may also realize and exploit the fact that insurance carriers are under time and other market-driven pressures to pay out on claims quickly and that, until recently, it is unlikely that their bogus claims would be subject to high scrutiny.

#### ***Complex Insurance Frauds***

**Caused Fraud** - Very often, a deliberate attempt is made either to stage, invent or exploit an accident, injury, theft, arson or other type of loss that would be covered under an insurance policy. These crimes are often the work of well organized, sophisticated rings whose successful schemes generate enormous profits for the criminals and result in equally enormous losses to insurance carriers and, ultimately, the public.

- **Fraudulent Claim Schemes Related to Motor Vehicle Accidents** - Participants in crimes in this area include claimants involved in staged and fictitious accidents, runners who pursue claimants for lawyers and corrupt clinics, physicians, chiropractors and other health care providers who fraudulently bill for non-existent, unnecessary or inflated treatment, the owners of corrupt clinics, and their billing management companies. These frauds are becoming increasingly widespread and are one of the most costly forms of insurance fraud in the United States. A single crime ring can cost the insurance industry millions of dollars a year.
- **Staged Auto Accidents** - The deliberate collision of two or more vehicles in order to file fraudulent bodily injury or, in some cases, physical damage claims (which were already covered, or sustained in a prior incident). Usually, such "accidents" involve low speed, rear-end or sideswipe type collisions, resulting in little damage to vehicles. A staged accident can occur in a variety of ways. The perpetrators may cause a collision with an innocent party or operate both cars involved in the accident. Staged accidents have many variations, some of which are described below:

- **Sideswipe** - a driver in the inside lane of a dual left turn lane in a busy intersection drifts into the outer lane, intentionally forcing a collision. This is a very common occurrence in accident fraud.
- **Hit and Run** - using a pre-damaged vehicle, criminals' claim they were in an accident and can't identify the other driver, often calling police to verify.
- **Drive Down** - a driver waves on another driver, indicating it is alright to proceed, and then intentionally hits the passing car.
- **"Jump-in" Claimants** - in urban areas, perpetrators will falsely report to police who arrive at the scene of a multi-vehicle accident or commercial passenger accident that they were in a vehicle at the time of the accident. This misrepresentation will provide the basis for false medical and no-fault benefit claims.
- **Pedestrian Accidents** – a pedestrian intentionally walks into a vehicle traveling at slow speeds in order to provide the basis for false medical and no-fault benefit claims.
- **Phantom Victims** - participants in staged accidents may use fraudulent licenses or other identification and provide other erroneous personal information, complicating subsequent efforts by investigators and law enforcement to locate and apprehend them.
- **Paper or Fictitious Accidents** - rather than staging a "real" accident for the purpose of committing insurance fraud, participants file claims for accidents that never took place or fraudulently add victims to legitimate accidents. Like staged accidents, this type of fraud has many variations, some which are described below:
  - **Fraudulent Police Report** - alterations to or complete fabrication of police report (MV104a) in order to inflate number of passengers injured and in need of medical treatment in a staged or actual accident or to create an accident that never took place at all.
  - **Civilian Walk-Ins to Police Department** - an owner files an accident report at the police department for a fictitious accident with phantom victims using bogus licenses and ID's.
  - **Fraudulent Insurance Claim** - an owner makes a claim to the insurance carrier for an accident however no accident report is ever filed with a law enforcement agency.
  - **Exploitation of Real Accidents** - a third fraud scheme related to motor vehicle accidents is the solicitation or recruitment of real victims of minor accidents to embark on a course of unnecessary and inflated treatment at select corrupt medical care providers for the purpose of no-fault insurance fraud.

**Fraud Indicators** - there are a number of indicators suggesting that an accident has been staged for the purpose of committing insurance fraud. These “fraud indicators” include:

- unbiased witnesses who categorically deny the prospective claimant’s version of events
- overly cooperative bystander-eyewitnesses who also happen to be related to the “victim”;
- Accidents which have resulted in tremendous damage to one car, with practically none to the other;
- accident with “phantom” vehicle;
- accidents which appear to have been deliberately caused by the “victim”;
- multiple “victims” in vehicles provide conflicting and inconsistent accounts to the responding officer about their destination, pre-accident activities, and relationship to one another;
- accident “victims” receive extensive treatment for vague “soft tissue” injuries at same or similar clinics;
- recently registered older vehicles in poor condition with assigned risk insurance code **999**;
- a vehicle is rear-ended or sideswiped (lone drivers are often targeted) and the vehicle that caused the accident has multiple passengers;
- a vehicle is rear-ended or sideswiped (lone drivers are often targeted) and the vehicle that caused the accident has multiple passengers;
- livery type vehicle picking up multiple passengers is then sideswiped or rear ended by a vehicle;
- registered owner of a vehicle and the driver have the same address but different surnames;
- out of state driver license and a vehicle in New York registration;
- accident “victims” that have been in numerous other accidents resulting in billings to insurance companies through the no-fault system;
- the registered owner of the vehicle involved is also the registered owner of other vehicles involved in previous accidents followed by suspect no-fault billings;

## **Corrupt Clinics (medical mills) -**

Essentially linked to all of the above schemes are corrupt clinics (medical mills) and other health care providers. This is where the real money is made in these organized criminal ventures in which the goal is always to exploit New York's no-fault insurance laws. The clinics and related health care providers are paid by insurance companies upon an assignment of benefits executed by all "accident victims" receiving treatment. Whether the accident victims come from staged accidents, fictitious accidents, or have been recruited because they were in real, minor accidents, the object of the fraud is to bill the insurance company for the maximum allowed under no-fault. Accordingly, a steady supply of accident victim "patients" is critical to the continued profitability of the fraud scheme.

Owners and managers of medical clinics, whether or not they are medical professionals and attorneys associated with them, pay "runners" or recruiters to arrange minor auto accidents, and then send the supposedly injured occupants to the clinics for treatment. Runners recruit drivers to cause the accident and passengers to ride in the car or cars. Typically, two to four passengers are recruited to maximize profit per accident. If not recruiting participants for staged accidents, runners recruit people willing to pose as victims in paper or fictitious accidents and embark on a course of unnecessary treatment. In addition, runners may bribe hospital workers for confidential patient information so they can approach victims of real accidents and solicit them to participate in medically useless treatment at the corrupt clinics and related diagnostic or health care provider facilities. In some instances, tow truck drivers and auto repair shops act as runners, collecting large fees from specific clinics for referring accident victims to them. Some repair shops will provide free or discounted repairs on vehicles in exchange for a promise by a victim to patronize a specific clinic. Being a runner can be a very lucrative business, with each "referral" earning the runner a substantial fee, sometimes thousands of dollars, paid by the medical mill or attorney.

Once the "patient" is referred to the clinic, medical personnel participate with the claimant in defrauding the insurance carrier by diagnosing injuries that do not exist, and/or bill for test and services which were not performed or provided, inflating the billing code for a procedure or inflating the length of a particular procedure or therapy ("up-coding"), and generally providing a lengthy course of medically unnecessary treatment solely for the purpose of pumping up the insurance claims. Frequently, mobile MRI and dental units that are not registered with the State Health Department are only used to over-bill insurance companies. Often they are doing procedures not allowed by law. In the typical no-fault case, the insurance company is billed for a wide assortment of diagnostic tests and treatments including MRI's, massage therapy, aroma therapy, psychological treatment, and unusually large amounts of durable medical equipment.

The corporate set-up and structure of these clinics lends itself to fraud. A management company bills for services provided by a Professional (medical) Service Corporation (PC). This management company is owned by someone who is not allowed, by law, to provide medical care. The payments flow from the professional corporation to the management company where the funds are received by the non-professional. The PC in this case is but a sham for collections.

Law enforcement has recently noted an increased risk of violence among rivals in the highly lucrative criminal enterprises involving staged accidents and medical mills. In addition, there is an increased risk of injury or death to innocent non-participants in staged accidents.

### ***Other Types of Motor Vehicle Insurance Frauds***

**Owner Give-Ups** - The owner reaches an agreement with an accomplice to leave the vehicle and keys at a certain location to be “stolen” or delivers it to a middleman or accomplice who will dispose of it or re-sell it. This occurs for a variety of reasons. For example; when the owner cannot meet lease payments or loan payments or where the mileage on the odometer far exceeds that which was agreed to in the lease contract or there has been excessive damage to the leased vehicle and a hefty penalty will need to be paid. These arrangements result in the vehicle being:

- **Falsely reported stolen and recovered stripped** - This way the damaged or worn-out parts are replaced via the insurance payments. In addition to the insurance settlement, stripped parts are sold for profit.
- **Burnt Vehicle** - Vehicle is burnt to avoid payment for excessive mileage on a lease agreement or inability to make loan payments. Often, the vehicle does not become totally involved by the set fire and evidence of an arson is discovered.
- **Falsely reported stolen and not recovered.**
- **Organized Rings** - Dismantling yards owned by organized crime rings which are owner give up locations.
- **Avoidance of Prosecution** - An owner of a “stolen vehicle” has placed a claim with their insurance carrier. When the investigator from the insurance carrier’s S.I.U. initiates an inquiry and applies pressure on the claimant by involving a law enforcement agency, the claim is suddenly withdrawn.
- **Abandoned Vehicle Reported Stolen** - Owners who abandon vehicles in locations with the hope that the vehicle is stripped or stolen. Shortly after, the owner reports the vehicle stolen to the police and insurance company.
- **Unattended Vehicle Reported Stolen** - Delivery drivers who agree to leave a vehicle unattended while co-conspirators steal it or empty it of its contents or both.
- **“Crack Cars”** - The crack user leases their vehicle to their supplier, or dealer, in lieu of cash for drugs for a specific period of time. Rather than return the vehicle to its rightful owner, the dealer then discards the vehicle, oftentimes by passing it off to other individuals he or she is loosely associated with in the drug trade. When the vehicle is not returned, the registered owner reports it stolen to the police department.

The vehicle is usually recovered close in time to when the report is made, usually in the possession of individuals not a party to the original drug transaction. At this phase, the scenario is one of unauthorized use. In a few cases, the situation rises to the level of insurance fraud where the registered owner/drug user takes the next step and reports the car stolen to the insurance carrier. In these cases, it is more motivating to track back the line of car “inhabitants” to the drug dealer that originally received the vehicle from the registered owner to see if and when the registered owner had the intent to defraud the insurance carrier.

**Opportunity Fraud** - Occurs when a policyholder or claimant exaggerates a legitimate claim. These crimes of fraud are generally considered to be relative afterthoughts as opposed to highly sophisticated schemes. For example:

- **Inflated Claim** - A car owner who inflates a stolen vehicle claim by adding personal belongings to an insurance claim which were not in the vehicle. This then becomes a homeowner or renter’s insurance claim.
- **Stolen Vehicle (hide other crime)** - The owner of the vehicle may have been in a situation involving another crime (hit-and-run, DWI, etc.) and reports that the vehicle was stolen during this time period to avoid detection.
- **Stolen Vehicle (reclaimed)** - Owner reports a stolen vehicle and is compensated by the insurance carrier. Later the owner recovers the vehicle but does not advise the insurance carrier.
- **Enhanced Damage by Owner Request** - The owner of the vehicle requests the auto body shop to “enhance” the actual damage to the vehicle in order to obtain more money from the insurance carrier.
- **Medical Mills & Runners** - Many accident victims who would not normally make a personal injury claim are now doing so. These victims are often located by runners at the accident scene or by other means, post accident. The runners then make the accident victims aware of the monetary benefit involved in making an injury claim. The runner then guides the accident victim to the “appropriate” legal adviser and medical treatment clinic.
- **Odometer Fraud to Increase Value of a Total Loss Vehicle** - In recent years DMV has identified several individuals who have an obvious total loss salvage vehicle, who rolled back the odometer to increase the value of the vehicle. The insured will make arrangements to have an individual alter the odometer reading on an obvious total loss vehicle prior to the appraiser looking at the vehicle. In some cases they will have had the vehicle re-inspected so the mileage on the inspection sticker will correspond to the lower mileage. On average this will increase a vehicle 20 to 25 cents per mile or \$2,000 to \$3,000 for the average odometer rollback.

- **Lease Options With No Payments For The First Year** - During the past two years vehicle manufacturers have been offering a variety of special financing and sale options. One of the options that seem to be causing an increase in insurance fraud is the no down payment, no payment for the first year option that is being offered by Mitsubishi Motors. Since this offer has taken affect we have seen an increase in the number of Mitsubishi vehicles being reported stolen ten or eleven months after the initial sale.

In most cases, claims are filed with the insurance company to pay the balance or to file a large claim. With certain insurance policies that are available the insured will only have to pay a \$250 or \$500 deductible on the “stolen vehicle”. Recently Mitsubishi expanded this offer to include payment of your insurance deductible for the first year that you own the vehicle, they will mail you a check for \$50 or \$100 a month for the first year you own the vehicle.

- **Frame Replacement On Motorcycles** - Another Insurance Fraud scheme involves replacing a frame on a motorcycle. An individual will report his/her motorcycle stolen and then purchase an after-market replacement frame, such as a replacement frame from the Chopper Boys or the Gambler Motorcycle Company. The individual will remove all the minor component parts off the original bike and affix them to the replacement frame. The replacement frame has a full 17 character VIN number and a certificate of origin. They will use the certificate of origin to try to register the vehicle as a different make and model with a new VIN number. In some cases they will also abandon or drop the frame bearing the original VIN number in a location where is will be found by law enforcement. In these cases law enforcement will cancel the stolen alarm to insure quick payment of the fraudulent insurance claim.

In New York State all custom motorcycles that are built are required to be inspected by investigators from the Department of Motor Vehicles. Due to the inspection requirements in NYS many of the individuals engaged in this practice will title and register vehicles out of state and operate them in New York with the out of state registration.

- **Wrecked Rental Cars For Sale** - Another growing trend in terms of insurance fraud is the purchase of wrecked rental cars with a clean title from various companies that specialize in these types of vehicles. An individual will pick a rental car with extensive damage such as a front end collision for a reduced price. They will register the vehicle and insure it. Prior to the pre-insurance inspection, they will stage a hit and run or fictitious accident and file a claim with their insurance company. Investigators have found in many cases the insurance carrier will then pay for the damage on the vehicle, or the purchaser will receive payment for the full retail value of the vehicle, and the vehicle will be totaled.
- **Extended Warranty Fraud** - Corrupt dealerships and body shops have charged fictitious body work and repairs to extended warranties of vehicle owners who have not requested nor needed the work done to their vehicle. This has resulted in thousands of dollars obtained illegally.

**Document Fraud** - current technology easily allows perpetrators to create documents enabling them to fraudulently obtain vehicles and/or insurance coverage. In response, the NYS Departments of Motor Vehicles and Insurance have developed procedures and documents that make these types of crimes extremely difficult to execute without detection. However, not all states have adopted these preventative measures thus allowing these crimes to still be perpetuated. The following are examples found by investigators in the field:

- **Duplicate Title Frauds** - The insured person sells the vehicle, obtains a duplicate vehicle title, reports the vehicle stolen, and then surrenders the duplicate title to the insurance company. This method nets proceeds from the sale of the vehicle and the vehicle theft settlement from the insurance company.
- **Counterfeit Title Frauds** - Typically, a heavily financed vehicle is reported stolen and the insured presents his insurance company with a counterfeit title listing themselves as the sole owner (omitting the bank or finance company as lien holder).
- **Paper Vehicle Frauds** - Some states and provinces in the United States and Canada have inadequate vehicle title laws which lend to frauds involving fictitious vehicles. Evidence of motor vehicle ownership is often solely by registration certificate with transfers by bill-of-sale on older vehicles. There is generally no inspection of the vehicle required to determine the validity of the VIN or other registration information. In some instances, registrations are issued on the basis of mailed-in applications with no confirmation of the existence of the vehicle. Upon receipt of the registration, application is then made to another state issuing a title (again usually without a vehicle inspection required). With title in hand, the fictitious vehicle is then insured. The final step in the fraud is a theft report on the paper vehicle to police and the affected insurance company.
- **Counterfeit Insurance Cards** - Storefront “insurance company” issues fraudulent insurance cards at very low prices. This is often done with fraudulent international licenses to immigrants. There has been a decrease of fraudulent New York State insurance cards due to use of two-dimensional bar codes by DMV. Out of state cards are now more common such as New Jersey, Ohio, Pennsylvania, and Rhode Island.
- **Title Washing** - Title washing involves the transferring of a vehicle title between different states to remove title brands, and to change an odometer reading. For example, if they purchase a vehicle in New Jersey that was branded as a rebuilt salvage vehicle they will transfer the title to a state that does not brand titles and obtain a clean title. In many cases they will continue to transfer the title to several other states to disguise the history of the vehicle and confuse the ownership trail. We have seen some vehicles, where four or five titles will be obtained in a three or four day period from different states that issue titles over the counter. The final clean title is used to sell the vehicle to an unsuspecting customer.

- **Salvage Vehicle Frauds** - These frauds are similar to paper vehicle frauds except that they involve actual vehicles sold as salvage. These vehicles are registered and titled as “operational,” insured, and then reported stolen.

## Other Frauds

- **Owner Retains Salvage** - Beginning in 1999 New York State Department of Motor Vehicles began branding all salvage vehicles and vehicles damaged to the point where the cost to repair the vehicle exceeds 75% of the retail value of the vehicle. Since this occurred, insurance companies frequently total vehicles that are close to this threshold. However, in some cases they will allow the owner to retain the vehicle as an owner retained salvage. In this case the insurance company offers the insured the full retail value of the vehicle and allows the insured to buy back the vehicle from the insurance company for the salvage value.

When this occurs the insurance companies are supposed to report the salvage status to the Department of Motor Vehicles, however in many cases they fail to do so. As a result we have seen salvage yards and re-builders aggressively checking with repair shops and body shops looking for severely damaged vehicles. If the claim has not been settled they will offer the owner a lump sum to purchase the vehicle as is with the clean title. Normally they can obtain the vehicle for minimal cost and will resell it with the clean title for a substantial profit.

- **Embezzlement From An Insurance Carrier** - An insurance agent who fails to remit policyholder premiums to the insurance company. The agent pockets the premiums and hopes the policyholder does not file a claim.
- **Kickbacks / Insurance Company Employee** - An employee of an insurance company may be accepting kickbacks from auto body shops to verify false claims. Another scheme is where a claims examiner could be working with attorneys to settle claims for a percentage of the kickback.
- **Commercial Application Fraud** - This occurs when a group of individuals are in an alleged application misrepresentation scheme for commercial vehicle insurance. The alleged scheme involves several unscrupulous individuals allegedly acting as a major insurance broker for numerous car rental and leasing companies as well as cabs and limo services that work almost exclusively in the New York City metropolitan area. However, the majority of the listed addresses are in upstate Ulster and Dutchess Counties. These locations are used to facilitate their alleged rate evasion scheme. Several large carriers are receiving numerous auto casualty claims that they are presently adjusting. The vehicles are all registered to the upstate address while allegedly being housed and utilized in the New York City area. Loses to numerous insurance carriers and the State of New York total in millions of dollars.

## Property Damage Fraud -

- **Enhanced Damage / Padding the Claim** - most common are the occasional “exaggerators” who overstate their insurance claims to make up for the deductible. Examples: an auto body shop owner will offer to hide the deductible or inflate the extent of the damage; an adjuster, often on the unrecorded payroll of the repair shop, inflates the damage to the profit of the shop. Claims for vehicle damage may also be inflated on a much wider, more systematic scale by companies who manage and insure large fleets of commercial vehicles such as taxis and livery cabs.
- **Rotation Tow Fraud (ro-tow) Metropolitan NYC and Long Island** - the towing company tows a recovered stolen vehicle in relatively good condition. When the car gets back to the repair shop and before the owner and his insurance adjuster sees it, the car is stripped of valuable parts. The shop is then able to collect a large amount of money from the car owner’s insurance company to “repair” the car they stripped. If the car is declared totaled, or is transported by the owner to another shop, they get to keep all of the valuable parts they stripped for their own use or salvage. Decrease in activity now seen due to number of stolen vehicles. Cars are harder to steal and tow operators are going toward no-fault crimes.
- **Defrauding the Consumer** - In many instances the owner of the vehicle is an unwitting participant in the repair shop’s fraud. The following are examples of how body shops look to increase their profit margins by charging for:
  - repairs that were not made;
  - more hours than were actually worked/ unnecessary work / work never performed;
  - a replacement part while the original part was repaired;
  - original equipment manufactured parts (“OEM”), when the vehicle receives used parts Like Kind and Quality (LKQ) or after market parts.

**Fraudulent Insurance Application** - Other types of frauds can occur during the underwriting process when drivers apply for new or renewal coverage. Some may allow drivers to provide false information to lower insurance premiums or increase the likelihood that the application for insurance will be accepted. Examples include:

- Under reporting of miles usually driven.
- Provides a false location where a car is garaged.
- Premium Fraud - Add coverage after incident occurred and then back dates incident to be covered

**Internet Based Fraud** - There is a growing use of the internet to commit fraud on unsuspecting buyers as well as the sharing of schemes to defeat the legal system. The following are fraudulent uses of the internet involving motor vehicle insurance:

- **Insurance for Vehicles** - There are web sites that offer what appears to be legitimate insurance coverage at “great rates” which are bought by the unsuspecting consumer. The company and insurance coverage turns out to be non-existent.
- **Fraudulent Documents** - There is an availability of fraudulent driver’s license and/or “international driver’s license” at various web sites. Perpetrators obtain fraudulent licenses for identity fraud leading to insurance fraud (same photo different identifiers).
- **Fraudulent Photos** - These are photos of damaged vehicles available to collaborate fraudulent accident insurance claims.
- **Fraudulent Motor Vehicle and Parts Identifiers** - The web site VIN-TAG.com out of Canada provides the consumer counterfeit vin plates and manufacturers stickers. This allows the re-tag of stolen vehicles and/or salvage vehicles that are un-insurable.
- **Information Web Sites** - there are a multitude of sites that offer the “How to”: Exhibit signs of Whiplash”; set up of a phony corporation; answer questions at an independent medical exam requested by an insurance carrier, and; how to set up a successful medical clinic.
- **Obtain Keys to Motor Vehicles** - Using the identifying code for the ignition key, a copy can be made by a web site company and sent in the mail to whom ever pays for it. The key can then be used in an “owner give-up” scam.
- **Internet Sale** - There is also growing use of the internet to sell vehicles to rebuilders as well as individuals. It is not uncommon for sellers to advertise vehicles for sale with “clean titles” which are salvage vehicles under state law. Major parts have to be replaced so these vehicles become recipients of stolen parts. Use of a “clean title” can then result in circumvention of salvage inspections that may be required for salvage vehicles. The challenge is that the sales are not regulated by any one jurisdiction and therefore, the states must have other ways to track vehicles if they are brought in for titling. Another area of concern with Internet sales are multiple sales of a single vehicle or the collection of the money for the vehicle with failure to deliver the vehicle and/or proper proofs of ownership.

Over the past year there has been an increase in the use of the internet to scam buyers and to steal identities. One such use of the internet involves the use of the **E-bay** internet auction site to sell and auction stolen vehicles that have been found to have switched vins. It has also been found that persons are selling VIN tags, license plates and other illegal parts of vehicles. **E-Bay policies prohibit the sale of these items.** However, the number of items placed on the site makes it impossible to remove all of the illegal items in a timely fashion. E-bay administrators are very law enforcement

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Over the past year, there has been an increase in the use of the Internet to scam buyers and to steal identities. One such use of the Internet involves the use of the **eBay** auction site to sell and auction stolen vehicles that have been found to have switched vins. It has also been found that persons are selling VIN tags, license plates and other illegal parts of vehicles. eBay policies prohibit the sale of these items. However, the number of items placed on the site makes it impossible to remove all of the illegal items in a timely fashion. eBay administrators are very law enforcement friendly and will provide personal information to officers without warrants. Users of e-bay are made aware that law enforcement may become involved if they use the site illegally. A simple call to their security office or letter with agency letterhead can get the personal information needed.

Other Internet sites are not so law enforcement friendly and require experts to search the net and obtain warrants from judges. This type of investigation requires the use of many different resources and can become very costly. MVTIFP funding should be made

## **Regional Analysis of Motor Vehicle Insurance Fraud in New York State**

As law enforcement agencies and prosecutors became more educated and aware of the different types of fraud, funding was focused on these types of crimes. Intelligence was developed and arrests increased, especially in regions of New York State where motor vehicle insurance fraud had been under the “radar” and not identified.

**Metropolitan New York City** - (inclusive of the five boroughs, Westchester, Rockland, Suffolk, and Nassau Counties.) This area of the State has experienced most of the types of motor vehicle insurance crimes identified at one time or another. The following are those crimes appearing to be most prevalent at this time:

- **Organized Crime** - Both traditional and nontraditional organized crime operations. There are also a very large number of more loosely organized groups involved in:
  - Corrupt clinics (medical mills) that work with runners who stage accidents.
  - Fraudulent police reports.
  - Exploitation of real accidents.
  - Owner give ups (middle men recruit vehicle owners to set up “steals” of vehicles. Vehicles are chopped or exported).
  - Enhanced damage by body shops
  - Document fraud (duplicate title frauds, title washing, salvage vehicle fraud).
  - Lease options with no payments.
  - Rotation tow fraud.
  - Title washing.
  - Counterfeit documents (titles, insurance cards, license).
  - Internet-based fraud.
  - Fraudulent motor vehicle and parts identified.
  - Embezzlement from an insurance carrier.
- **Individual Owner Fraud**
  - Owner give ups (lease payments cannot be met or excessive mileage).

- Arson of vehicle (lease payments cannot be met or excessive mileage).
- Odometer Fraud.
- Rate evasion - Many areas of NYC have large numbers of vehicle plates from Pennsylvania, North Carolina or other states with lower insurance rates. Also vehicle owners will use an upstate New York address, summer residence or post office box, to obtain cheaper rates.
- Insurance application fraud

**Outside Metropolitan New York City area** - Those areas outside the New York City metropolitan area have reported particular problems with motor vehicle insurance fraud involving:

- **Organized Crime** - Both traditional and nontraditional organized crime operations plus more loosely organized groups involved in:
  - Corrupt Clinics “Medical Mills” that work with runners who stage accidents; arrests have occurred in Buffalo and Albany.
  - Staged Accidents - In Albany, members of family that staged accidents for ten years were arrested. Investigations into similar rings are occurring in Buffalo and Rochester.
  - Enhanced damage by body shops.
  - Document fraud (duplicate title frauds, title washing, salvage vehicle fraud)
- **Individual Owner Fraud**
  - Arson of vehicle. (lease payments can not be met or excessive mileage.)
  - Odometer Fraud (rollback of odometers in used vehicles being sold by dealers.)
  - Insurance application fraud.

### ***Part III. Areas of Concentration within the New York State Plan of Operation***

The Plan shall provide an integrated means to detect, prevent, deter and reduce motor vehicle insurance fraud and related crimes. Following are the four areas of concentration that the Plan identifies as essential for an effective statewide strategy. Each of these areas contain elements that have been identified by experts in the field as effective strategies within the area of concentration.

#### **Law Enforcement / Detection / Apprehension**

In order to continue the impact on motor vehicle insurance fraud and related crimes by law enforcement, the following efforts should be incorporated:

##### **1. Coordinated Efforts and enhanced communications**

*Within each law enforcement agency:* the impact of an individual law enforcement agency is greater when efforts of distinct units such as patrol and detectives act in concert with each other. Intelligence briefings should be two-way in order to effectively focus efforts.

*Within each county:* the coordination among agencies through an **informal** or a **formal** task force approach can result in effective methods of detection and apprehension. Experience across New York State has shown that it is essential for the Office of the District Attorney be a primary partner especially from the beginning of the more complex, undercover or long term investigations. Also inclusion of State agencies whose missions are relevant to the targeted crimes is also essential. This provides additional manpower, intelligence and the prevention of overlapping or competing investigations. Also of importance:

**SAFETNet / UDECS** - Enter targets of major case investigations into the Secure Automated Fast Event Tracking Network through the New York/New Jersey High Intensity Drug Trafficking Area Regional Intelligence Center (HIDTA) or the Upstate New York Regional Intelligence Center (UNYRIC).

*Within New York State* Initiate meetings of law enforcement agencies from contiguous counties as well as meetings with SIU of insurance carriers can only enhance effectiveness in combating motor vehicle theft.

##### **2. Effective Enforcement** – Problem identification and analysis enable law enforcement agencies to effectively target their enforcement initiatives. Based upon experience from current grant funded programs in New York and other states, the following enforcement methods should be considered when a law enforcement agency is combating motor vehicle theft:

- Sting operations that target the crimes identified through problem identification and analysis.

- Development of confidential informers through assistance of the District Attorney.
- Development of expertise in personnel at patrol and detective / investigator levels through training and field experience. Essential in problem identification and enforcement at the patrol level and when utilizing complex sting operations.
- Audit teams of state and local officers to inspect repair shops and dismantlers.
- Vehicle identification number tracking systems - inquiries, methods
- Utilization of advanced technology for investigations, in terms of surveillance
- On-going statistical analysis and creating and maintaining intelligence data banks.

### **Prosecution / Adjudication / Conviction**

In order to continue the impact on motor vehicle insurance fraud by effective prosecution, the following efforts are incorporated into the statewide strategy.

1. **Coordinated Effort and enhanced communications** - In those counties where the District Attorney has received funding from the Board, it is recommended that they:

*Within each DA office:*

- dedicate staff to motor vehicle insurance fraud and develop expertise;
- utilize vertical prosecution;
- assist in the coordination of investigations within the county; and

*Within each county:* the coordination among agencies through an **informal** or a **formal** task force approach can result in effective methods of detection and apprehension. Experience across New York State has shown that it is essential for the Office of the District Attorney be a primary partner especially from the beginning of the more complex, undercover or long term investigations. Also inclusion of State agencies whose missions are relevant to the targeted crimes is also essential. This provides additional manpower, intelligence and the prevention of overlapping or competing investigations. Also of importance:

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## **Making Appropriate Plea Offers and Sentence Recommendations to the Judiciary**

In those counties where the District Attorneys have worked to enhance plea offers and seek stiff penalties for motor vehicle insurance fraud and related crimes, the efforts of the police have been reinforced. It is important to communicate this need for a strong judicial response on these matters with an emphasis on communicating that these crimes are not “victimless” and that leniency only tends to perpetrate the ongoing problem of motor vehicle insurance crime in our communities. Use of the state RICO charges have also been very effective in prosecuting organized crime rings.

## **Public Awareness / Prevention / Education**

### Public Awareness / Prevention Program

The **New York State “Watch Your Car” Program** was developed to make the public aware of the motor vehicle theft and insurance fraud problem in New York State. Local agencies can use this program as a platform to launch a **public information campaign** with the focus being that these are not victimless crimes. Included in the campaign are the following:

- education on how and why motor vehicle insurance fraud is perpetrated
- how it affects each individual through higher insurance rates and other financial areas

### Education / Training Programs

Besides education of the public, it is essential to educate law enforcement personnel and prosecutors. Experience in the field is an important aspect but the foundation for effective enforcement and prosecution is quality training. The development of all encompassing training programs is important with the input of seasoned investigators essential. The length of the training seminars can vary from one to four days as well as simple roll call programs of checklists that can be easily used in the field. Emphasis should be placed on the development and delivery of training programs on motor vehicle theft specific for the following target groups:

- patrol level of law enforcement personnel
- investigative level of law enforcement personnel: basic and advanced
- law enforcement agency command level personnel
- executive level
- law enforcement training directors of NYS
- prosecutors

- magistrates & judges (training at their conference)
- community groups

The Statewide workgroup recommended that one way to be truly effective in presentation of the information is to present a **team** composed of a prosecutor, law enforcement investigator, insurance carrier investigator and a local prosecutor where the program is being held. It is important that the team members be **experienced** preferably from the greater New York City area or it's suburbs and that there is a **local prosecutor** who has developed expertise and has intelligence on motor vehicle theft crimes in the area. The workgroup believes this would lend a stronger case in presenting the information and greater reception by the target group.

### **Legislative Efforts**

The Work Group has agreed and recommended that strong efforts in the legislative area could greatly enhance the effectiveness of the Statewide strategy to prevent and/or deter motor vehicle theft and insurance fraud related crimes. Particular emphasis should be placed on increasing penalties in motor vehicle insurance fraud and targeting needed legislation in the area of aggressively addressing the problem of runners. It is suggested that the Board work closely with members of the law enforcement community in targeting needed legislative initiatives in this area.

### ***IV. Evaluation***

The evaluation of programs and projects is undertaken to ensure that their implementation is in accordance with agreed plans, objectives, and goals, to prove that funds are used as agreed, and to provide for possible adjustments and further planning of individual programs and projects. The Plan recommends the inclusion of the following standardized performance measures by law enforcement and prosecution in the evaluation of their strategy to decrease motor vehicle insurance fraud and related crimes:

#### **Law enforcement agencies (patrol and investigations)**

- incidence of motor vehicle insurance fraud reported to agency
- number of vehicle arsons reported to agency
- number of arrests for motor vehicle insurance fraud
- number of arrests for motor vehicle insurance fraud related crimes
- number of arrests for fraudulent paperwork
- number of investigations initiated
- number of joint investigations with cooperating agencies
- number of targets entered into SAFETnet
- number and type of warrants requested
- number and names of cooperating agencies

## **Training**

- subject areas, instructors and seminar outlines
- number and location of seminars held
- number of attendees per seminar
- number of agencies represented per seminar

## **Prosecution**

- number of investigations initiated
- number of joint investigations with cooperating agencies
- number of targets entered into SAFETNet
- number and type of warrants requested
- number and names of cooperating agencies
- number and types of charges related to motor vehicle insurance fraud investigations
- number of motor vehicle insurance fraud and related crimes convictions (felony and misdemeanor)
- number of motor vehicle insurance fraud and related crimes dispositions of jail time
- number of motor vehicle insurance fraud and related crimes dispositions of probation

# **Appendix A**

## **New York State Motor Vehicle Theft & Insurance Fraud Prevention Board**

### **History Mission Statement**

# **PART 1: Background of the Board and Plan**

## **Introduction**

During the 1980's, there was a dramatic increase in the number of motor vehicles stolen in the United States. Besides the obvious property loss and trauma endured by victims of motor vehicle theft, motor vehicle theft and insurance fraud cost every driver hundreds of dollars each year in increased insurance premiums. Between 1986 and 1992, New York State experienced over a 50% increase in the number of motor vehicle thefts. Over 160,000 vehicles were stolen annually at a cost of over \$700 million dollars. During this same period, New York had a 166% increase in the number of reported fraudulent claims; estimates have put the cost to policyholders for fraudulent activities at 10% of premiums paid.

In 1994, the New York State Legislature acknowledged a direct relationship between the incidence of motor vehicle theft, motor vehicle insurance fraud and the cost of motor vehicle insurance premiums. In response, legislation was passed to establish *The Motor Vehicle Theft and Insurance Fraud Prevention Demonstration Program*, the goal of which is to provide an integrated means to prevent, deter and reduce the incidence of motor vehicle theft and motor vehicle insurance fraud by developing and providing funding for demonstration programs including education on theft and insurance fraud prevention, programs on motor vehicle theft and insurance fraud prevention and specialized law enforcement units to combat motor vehicle theft and insurance fraud.

Funding for the motor vehicle theft and insurance fraud prevention demonstration program would be established through a \$1 dollar fee collected by insurance companies from all motor vehicles other than passenger vehicles registered in New York State. This legislation also established a Motor Vehicle Theft Insurance Fraud Prevention Board (the Board) within the Division of Criminal of Justice Services to advise the Commissioner on the implementation of the program and distribution of the funds.

As of June 1, 2003 the fee increased from \$1 dollar per motor vehicle to \$5 dollars per motor vehicle. This allowed for more funds to be directed to the fund in order to have a greater response to the “no-fault” insurance crime problem.

In September 1997, the first meeting of the Board was held and the development of by-laws, mission statement and request for proposals was initiated, followed by the first award process of \$1.2 million in grant funds to eight grantees.

The completion of these tasks and the making of these initial awards represented the first steps in the organized and planned pursuit of reducing motor vehicle theft rates and insurance fraud in New York State. The impact of motor vehicle theft and insurance fraud cannot be understated — it is a largely organized criminal activity that costs hundreds of millions of dollars each year. The cost of motor vehicle theft and insurance fraud is passed on to each law-abiding citizen and legitimate business, and results in increased costs of doing business and in consumer premiums. Helping to bring this crime under control is an important State objective.

Great strides continue to be made reducing motor vehicle theft in New York State; since 1997, for example, motor vehicle theft was *reduced 44%*. Motor vehicle theft, however, still remains a large problem throughout the State and the nation. In New York State alone, over 44,597 vehicles were stolen in 2003, representing approximately \$303 million in property losses. Law enforcement knowledge gained into the dynamics of motor vehicle theft makes it apparent that the trafficking of stolen vehicles knows no state or international boundaries and that insurance fraud, in many cases, is perpetrated by well-organized groups of profit-motivated conspirators.

Since 1997, the NYS Insurance Frauds Bureau has seen an alarming increase in the number of reports of suspected insurance fraud from insurers in the State. Reports of **no-fault insurance fraud** have almost doubled since 1997 from 9,321 to 17,831 in 2003, and now accounts for 76% of all reported motor vehicle insurance fraud. According to the Insurance Information Institute the crime of motor vehicle insurance fraud related to no-fault coverage adds an average of \$75 to \$155 to the cost of insurance premiums paid by policyholders per year in New York State. With the continued implementation of this program, New York State steps up its concerted effort to further reduce motor vehicle theft and insurance fraud and the associated costs.

### **Mission Statement**

In accordance with Executive Law §846-1 and 846-m, the Motor Vehicle Theft and Insurance Fraud Prevention Board, as its stated mission and purpose shall make recommendations to the Commissioner of the Division of Criminal Justice Services (Commissioner) with respect to the exercise of his or her functions, powers, and duties as set forth in Executive Law §846-1 (3).

The Board shall also:

In accordance with the legislative intent of Article 36-A of the Executive Law, develop and recommend to the Commissioner a **plan of operation** which shall provide for a coordinated approach to curtailing motor vehicle theft and motor vehicle insurance fraud throughout the State (hereinafter “Plan”). The Plan shall provide an integrated means to detect, prevent, deter and reduce motor vehicle theft and insurance fraud by providing funds, upon the recommendation of the Board and approval by the Commissioner, to meet these objectives.

The Plan shall include, but not be limited to:

- ▶ An assessment of the scope of the problem of motor vehicle theft and motor vehicle insurance fraud, including a regional analysis of the incidence of motor vehicle theft and motor vehicle insurance fraud and related activities;
- ▶ An analysis of various methods of combating the problem; and
- ▶ The development of a request for proposals process, consistent with the Plan, for

applications from providers agencies to receive grants from the Motor Vehicle Insurance Fraud Prevention Fund established pursuant to §89-d of the State Finance Law.

In August, 1999, the New York State Motor Vehicle Theft and Insurance Fraud Prevention Board initiated the plan development phase of the Program by approving and funding a specific process for the creation of the statewide strategy plan for curtailing motor vehicle theft and insurance fraud throughout New York State. The Board determined that the experience and expertise gained as a result of the ongoing operations of the funded demonstration projects provided a solid foundation upon which to build a realistic plan. To research and develop a plan that was reflective of the problem in all regions of New York State, the Board recommended a list of those agencies identified as having extensive expertise in this area due to their ongoing efforts to combat automobile theft and insurance fraud.

To facilitate the process, the Board Chair and Commissioner of DCJS invited sixteen agencies to participate in the research and development of a statewide plan to combat automobile theft and insurance fraud. This Motor Vehicle Theft and Insurance Fraud Plan Work Group were comprised of individuals with background in the areas of motor vehicle theft and insurance fraud. The following agencies were represented on the Plan Work Group: Cities of Buffalo, New York, and Rochester; Counties of Bronx, Kings, Nassau, New York, Niagara, Queens, Rensselaer, Suffolk and Westchester; New York State Departments of Motor Vehicle and Insurance, Divisions of Criminal Justice Services and State Police; National Insurance Crime Bureau; and, US Customs.

The Work Group continued with a series of meetings that included guest speakers from Illinois, Maryland, US Customs, and the Insurance Industry. As research and discussions developed insight into the problems of motor vehicle theft and motor vehicle insurance fraud, the Board recognized the need for representation from the insurance industry on the Work Group. Representatives from Allstate, Progressive and The Robert Plan were also invited by the Board to participate. A final draft of the plan was developed at the October 5, 2000 meeting and was submitted to the Board.

Due to the divergent nature of the problems of motor vehicle theft and motor vehicle insurance fraud, the Board agreed to address these two problems with two separate plans. This document addresses only the motor vehicle theft statewide plan of operation which the Board voted to adopt during the April, 2001 meeting that was held in Albany, NY.

Since the Plan is utilized every year as a guide for the Board in determining its funding decisions and also as a guide for agencies in preparing their application, it is important that the Plan reflects the current trends in motor vehicle theft across New York State. With this goal in mind, the Work Group is reconvened on a yearly basis at the request of Commissioner Chauncey G. Parker and the Board. The Work Group has reconvened every year since 2000 in the City of Albany to revise and update the statewide plan of operation which was presented to the Board for inclusion in the plan at the yearly June meeting in New York City and were accepted.

The Work Group met during the third week of June, 2006 in Albany to again revise and update the statewide plan of operation. The revisions were presented to the Board at the July 12, 2006 meeting in Albany.

# **Appendix B**

## **New York State Motor Vehicle Theft & Insurance Fraud Prevention Board**

### **References Statistics**

# Reports of Suspected Incidents of Insurance Fraud 2008

### Note:

The actual incidence of motor vehicle insurance fraud is difficult to accurately measure. The New York State Insurance Department received reports from insurers of suspected fraud, but this number cannot be considered to be an accurate representation of the problem since the term is an administrative term used by insurance companies, not an official measure of crime. The New York State Penal Law does not distinguish between vehicle related fraud charges and all other insurance fraud and would only represent arrests for fraud not all instance of the offense. Consequently DCJS uses the insurance industry number as it works to develop a more accurate measure of the crime.

**Reports of Suspected Incidents of Insurance Fraud, 2008**

**Source: NYS Department of Insurance**

County	Rank	Auto Theft	Auto Fire	Larceny From an Auto	Auto Vandalism	Auto Collision Damage	Auto Fraud Bills	Auto Insurance Cars	Auto Misc	No Fault	Total
Kings	1	226	75	3	24	173	7	1	169	3738	4416
Queens	2	263	80	1	16	201	13	2	163	2543	3282
Bronx	3	150	75	0	13	125	8	3	114	1371	1859
New York	4	158	35	1	13	142	4	0	178	1173	1704
Nassau	5	84	24	3	9	125	8	0	58	1223	1534
Suffolk	6	121	35	2	23	139	9	2	62	984	1377
Richmond	7	83	20	0	3	44	2	0	15	287	454
Westchester	8	67	25	0	10	68	4	2	39	201	416
Erie	9	122	11	8	17	65	5	0	49	134	411
Monroe	10	89	5	4	9	35	0	0	23	44	209
Rockland	11	21	4	0	1	20	1	0	12	158	208
Onondaga	12	26	1	0	11	27	0	0	15	37	117
Orange	13	18	4	1	2	17	5	0	24	40	111
Albany	14	24	4	3	2	24	2	0	14	37	110
Dutchess	15	10	2	0	1	18	1	0	18	33	83
Oneida	16	11	3	0	7	10	4	0	7	19	61
Ulster	17	5	7	0	1	11	1	0	12	20	57
Schenectady	18	20	2	1	5	13	0	0	5	8	54
Niagara	19	20	5	1	6	4	0	0	6	8	50
Broome	20	9	1	0	2	10	1	0	8	17	48
Cayuga	21	1	0	0	0	2	0	0	4	28	35
Rensselaer	22	6	1	1	0	5	0	0	1	10	24
Sullivan	23	3	1	0	1	5	0	0	7	5	22
Saratoga	24	2	1	0	0	7	0	0	3	7	20
Putnam	25	0	1	0	1	8	0	0	3	5	18
Jefferson	26	3	3	2	0	2	0	0	1	5	16
Oswego	27	4	0	0	1	4	0	0	5	2	16
Otsego	28	1	3	0	1	4	0	0	3	3	15
Chautauqua	29	3	1	0	0	3	0	0	0	7	14
Columbia	30	0	0	1	1	3	0	0	3	5	13
Steuben	31	3	2	1	0	5	0	0	0	2	13
Genesee	32	2	0	0	1	4	0	0	3	2	12

**Reports of Suspected Incidents of Insurance Fraud, 2008**

**Source: NYS Department of Insurance**

County	Rank	Auto Theft	Auto Fire	Larceny From an Auto	Auto Vandalism	Auto Collision Damage	Auto Fraud Bills	Auto Insurance Cars	Auto Misc	No Fault	Total
Greene	33	2	0	0	1	4	0	0	3	2	12
Cattaraugus	34	2	0	0	0	4	0	0	1	4	11
Franklin	35	2	1	0	0	2	0	0	1	5	11
Warren	36	1	1	0	0	3	0	0	4	2	11
Delaware	37	0	0	2	0	3	0	0	3	2	10
Fulton	38	1	0	0	0	0	0	0	2	6	9
Wayne	39	2	0	0	0	3	0	0	1	2	8
Livingston	40	2	0	0	0	1	0	0	1	3	7
Madison	41	2	0	0	1	0	0	0	2	2	7
Ontario	42	1	0	0	0	3	1	0	2	0	7
St. Lawrence	43	3	0	0	0	1	0	0	0	3	7
Allegany	44	0	0	0	2	2	0	0	0	2	6
Chemung	45	1	1	0	0	1	0	0	1	2	6
Cortland	46	1	0	0	0	3	0	0	1	1	6
Essex	47	2	0	0	0	0	0	0	3	1	6
Orleans	48	0	0	1	0	3	0	0	1	1	6
Tompkins	49	0	0	0	0	2	0	0	1	3	6
Chenango	50	1	1	0	0	1	0	0	0	2	5
Clinton	51	1	0	0	0	2	0	0	1	1	5
Montgomery	52	3	0	0	0	0	0	0	0	2	5
Wyoming	53	2	0	0	0	2	0	0	1	0	5
Herkimer	54	1	0	0	0	1	0	0	1	1	4
Tioga	55	0	0	0	0	3	0	0	0	1	4
Hamilton	56	0	0	0	0	0	0	0	0	2	2
Schoharie	57	0	0	0	0	1	1	0	0	0	2
Schuyler	58	0	0	0	0	1	0	0	0	1	2
Seneca	59	0	0	0	0	1	0	0	1	0	2
Washington	60	0	1	0	0	0	0	0	0	1	2
Lewis	61	1	0	0	0	0	0	0	0	0	1
Yates	62	0	0	0	0	0	0	0	0	0	0
Out of State		33	8	2	1	20	2	0	36	129	231
Unspecified		0	0	0	0	0	0	0	0	0	0
Total		1610	444	38	185	1388	79	10	1092	12339	17185

**Suspected Incidents of Insurance Fraud**

**By County**

**2004-2008**

Suspected Incidence of Motor Vehicle Insurance Fraud  
 January, 2004—December 2008  
 Source: NYS Department of Insurance

County	2004	2005	2006	2007	2008	Ranking 5 Year Average
Albany	190	123	122	139	110	13
Allegany	4	11	23	20	6	41
Bronx	2362	2111	2097	2119	1859	3
Broome	45	63	96	68	48	18
Cattaraugus	11	30	39	21	11	29
Cayuga	7	31	38	38	35	28
Chautauqua	20	24	54	31	14	25
Chemung	13	21	53	15	6	32
Chenango	4	17	29	10	5	43
Clinton	10	19	26	12	5	39
Columbia	11	11	15	12	13	38
Cortland	8	12	10	15	6	43
Delaware	13	12	16	18	10	35
Dutchess	79	52	67	80	83	16
Erie	583	453	448	446	411	8
Essex	8	8	7	8	6	49
Franklin	5	7	14	13	11	44
Fulton	10	9	9	11	9	44
Genesee	10	14	15	14	12	37
Greene	13	18	11	19	12	34
Hamilton	1	6	5	8	2	56
Herkimer	13	22	19	10	4	38
Jefferson	13	25	27	17	16	39
Kings	4483	4357	3750	3749	4416	1
Lewis	4	8	8	6	1	54
Livingston	4	11	19	8	7	44
Madison	11	13	24	13	7	37
Monroe	309	239	326	264	209	10
Montgomery	9	8	17	17	5	42
Nassau	1613	1575	1342	1396	1534	5
New York	1679	1603	1434	1494	1704	4

Suspected Incidence of Motor Vehicle Insurance Fraud  
January, 2004—December 2008

Source: NYS Department of Insurance

County	2004	2005	2006	2007	2008	Ranking 5 Year Average
Niagara	81	115	119	103	50	15
Oneida	67	53	60	54	61	17
Onondaga	174	147	156	138	117	12
Ontario	14	12	11	19	7	37
Orange	154	129	134	117	111	13
Orleans	7	7	9	5	6	51
Oswego	20	25	13	12	16	32
Otsego	9	14	15	11	15	38
Putnam	15	22	33	24	18	27
Queens	3589	3041	2850	2920	3282	2
Rensselaer	28	35	29	28	24	24
Richmond	514	433	440	345	454	9
Rockland	222	157	157	138	208	11
St. Lawrence	12	7	18	15	7	40
Saratoga	23	39	30	33	20	23
Schenectady	51	43	54	50	54	19
Schoharie	6	6	11	6	2	46
Schuyler	1	4	8	3	2	58
Seneca	2	8	4	2	2	57
Steuben	6	11	15	10	13	36
Suffolk	1279	1328	1156	1196	1377	6
Sullivan	32	35	42	33	22	22
Tioga	6	6	10	2	4	48
Tompkins	10	5	8	9	6	49
Ulster	60	39	51	59	57	19
Warren	5	13	16	6	11	43
Washington	11	13	8	8	2	47
Wayne	18	19	12	18	8	35
Westchester	742	706	569	409	416	7
Wyoming	4	4	4	5	5	56
Yates	2	1	3	3	0	61

