

AUTO INSURANCE FRAUD UNIT
FIVE-YEAR REPORT

Eliot Spitzer
New York State Attorney General,
Special Prosecutor for Auto Insurance Fraud
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A dedicated team of prosecutors, investigators, accountants and analysts has specialized in fighting auto insurance fraud for the past five years, using investigative tactics honed in the sphere of organized crime investigations – electronic eavesdropping, undercover operations, and investigative grand juries. The Auto Insurance Fraud Unit (“AIFU”) has been in existence since shortly after Governor George Pataki appointed the Attorney General to be the special prosecutor for auto insurance fraud.

As Governor Pataki noted when he made the appointment, “[R]ecently there has been a dramatic increase in the cost of some motor vehicle insurance coverages, and much of this increase is attributable to fraudulent and abusive motor vehicle insurance claims practices.” Indeed, a criminal cottage industry was flourishing in New York, devoted to exploiting our no-fault laws. In a typical ring, a criminal syndicate set up a neighborhood medical clinic for the sole purpose of cheating insurance companies. The crooked clinics billed the insurance companies, falsely claiming that they administered necessary medical services to auto accident victims. But in truth, many “patients” were never actually injured in an auto accident, and whatever “care” the clinics delivered was merely part of a sham. To succeed, each criminal enterprise required the active participation of crooked doctors, lawyers, and other professionals. They were and are sophisticated schemes that are difficult to infiltrate.

Staffed by nine prosecutors, and backed up by experienced investigators, auditors, and analysts, the Unit has brought felony charges against nearly 300 defendants, and achieved a conviction rate of over 90%. And it has done so in complex cases. For example, more than a dozen defendants have been charged under New York's Organized Crime Control Act ("OCCA") in 2005 and 2006 alone. In one case, the unit obtained the conviction of a named partner in a law firm – and the law firm itself – at trial.

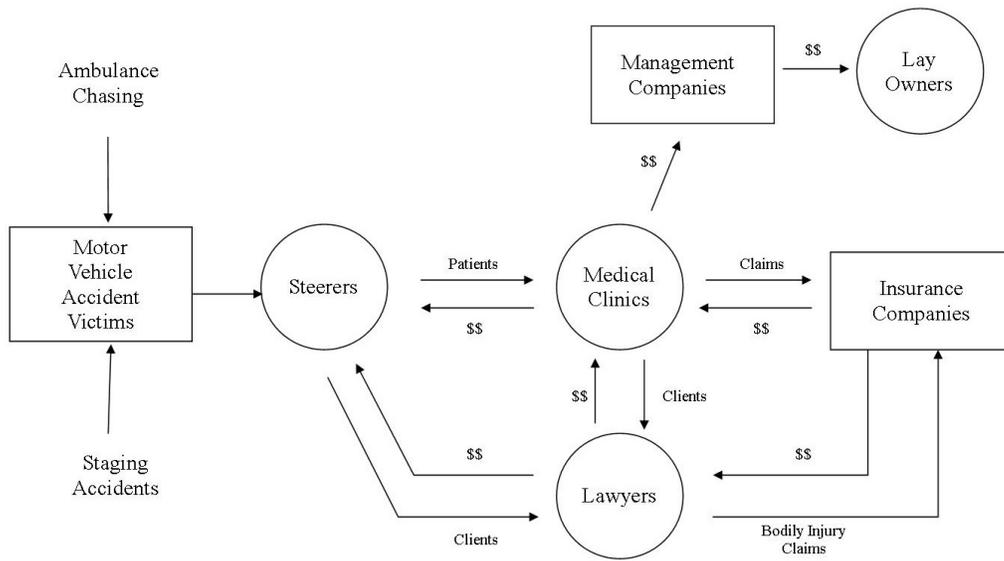
State Insurance Superintendent Howard Mills has credited AIFU's work with reducing insurance rates. In December 2005 testimony submitted to the legislature, he said: "The actions of the Auto Insurance Fraud Unit have had a definite impact upon the marketplace. Since 2002, there has been a significant decline in losses for private passenger automobile insurance. As a result of the success of the Auto Insurance Fraud Unit, as well as other measures implemented by Governor Pataki, the Insurance Department called on automobile insurers to reduce their rates. To date, the Insurance Department has approved a record number of auto rate reductions, saving policyholders almost \$400 million."

Choosing Investigative Tools by Industry Analysis

AIFU's efforts began with a careful analysis of the structure of the industry. The analysis showed that the frauds are committed by syndicates that have many different people specializing in different parts of the crime. For example, some of the conspirators are assigned to recruit the steady supply of phony patients that the scheme requires; the recruiters are known as "steerers." Others, the medical professionals who work in the clinics, help falsify patient records that justify the fraudulent invoices sent to the insurers. Yet others play roles behind the scenes as silent

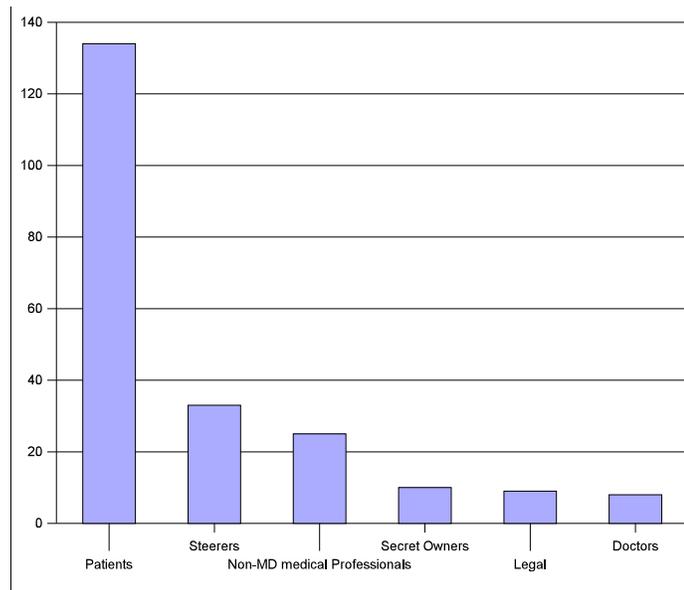
financiers. And, of course, crooked lawyers are necessary to advance fraudulent lawsuits based on feigned injuries. A typical scheme works like this:

Structure of No-Fault Fraud in New York City



Based on its analysis of the industry, the unit decided to attack at each level. This required the full spectrum of investigative techniques: wiretaps, undercover operations, and investigative grand juries. As a result of these intensive investigations, AIFU prosecutions of clinic rings have included individuals on every rung of the ladder, from the crooked patients to the steerers to the doctors, owners, and lawyers. The distribution of defendants in these cases is shown in the charts below:

Doctors	8
Lawyers and Legal personnel	9
Secret Owners	10
Other Medical Professionals	25
Steerers	33
Phony Accident Victims	134



The model continues to be successful. Using it, AIFU has brought charges against 18 defendants this month. Seventeen defendants were charged in connection with a long-term investigation of two staged accident rings based in Brooklyn. The accident rings, led separately by steerers Shaun Robinson, a/k/a Prince, and Glenn Elfe, a/k/a AZ, staged accidents using individuals who posed as pedestrians or bicyclists. The pedestrians and bicyclists pretended that they had been hit by a motor vehicle, usually while an unsuspecting driver was backing out of a parking space. Robinson and Elfe then referred the phony accident victims to no-fault clinics throughout Brooklyn. At the clinics, the phony accident victims received treatment for their fabricated injuries. The steerers paid the patients for their participation in the scheme.

In a related enterprise corruption indictment, three defendants were charged with using a Brooklyn no-fault clinic, AR Medical Art, P.C., to submit fraudulent claims to insurance carriers. Steerers first staged accidents using individuals posing as injured pedestrians or bicyclists, and

then referred the phony victims to AR Medical for treatment. The indictment alleges that clinic staff, including licensed health providers, fabricated patients' symptoms and falsely diagnosed patients with injuries in order to justify the provision of months of unnecessary treatment and testing. Charged in the indictment are Inna Polack, the clinic's true owner, and Alexander Rozenberg, a medical doctor and paper owner of the clinic. The case is pending in Kings County.

The charges are merely accusations, and the defendants are presumed innocent until and unless proven guilty.

AIFU has complemented its prosecution of sophisticated no-fault rings by aggressively pursuing the assets of defendants who have enriched themselves through their illegal conduct. AIFU has teamed up with the Attorney General's Asset Forfeiture Unit, headed by Assistant Attorney General Lynn Goodman, and filed multi-million dollar civil forfeiture actions against 11 defendants charged with enterprise corruption over the past two years. The lawsuits are pending in Queens and Brooklyn.

Highlights of Past Cases

Each year since the unit's creation has seen a series of anti-fraud prosecutions, described below. The cases reflect an evolution in techniques. In the first year, 2002, cases were done largely on an historic basis, by analyzing suspicious claim files. A shift to proactive investigations and electronic eavesdropping has yielded indictments of those higher up the ladder.

2005 CASE HIGHLIGHTS

In 2005, a total of 39 defendants were charged with felony insurance fraud and related crimes.

Ambulette Company Owners Pleaded Guilty in No-Fault Billing Scam

In April, two owners of an ambulette company pleaded guilty to submitting fraudulent transportation bills to no-fault insurance carriers over a three-year period beginning in the spring of 2000. The defendants, Alla Bronshteyn and Vitaly Tsimerman, used their transportation company, Ex-L Ambulette Service, Inc., to submit claims to insurance carriers for transports of patients when none were provided, or billed carriers for round-trip ambulette transports when transports were provided by private cars. In some cases, the defendants submitted trip vouchers containing forged patient signatures in support of their fraudulent claims. In October of 2005, the defendants were each sentenced to a year in jail and were ordered to pay fines totaling \$350,000.

The Ex-L Ambulette prosecution marked the final chapter in a three-year investigation of widespread corruption in the no-fault ambulette industry conducted by AIFU. Two earlier indictments obtained in November of 2003 resulted in convictions and the imposition of jail sentences against defendants Mark Pogoriler and Ivan Lopadtchak, the principal owners of a group of ambulette companies based in Brooklyn.

Twenty-Five Charged in Orange County Auto Theft and Fraud Ring

A joint investigation conducted by AIFU and the New York State Police resulted in the arrests of 25 defendants in June and July for crimes relating to theft of vehicles, illegal switching of vehicle identification numbers (VINs), and filing of false vehicle theft reports with insurance

carriers. The Orange County-based ring stole vehicles from dealership lots and replaced the VINs with VINs taken from salvage vehicles. The ring also secured vehicles through “owner give ups,” in which vehicle owners gave their cars to members of the ring in order to avoid remaining loan or lease payments. The owners then falsely reported to their insurance carriers that the vehicles had been stolen.

All 25 defendants have been convicted of crimes relating to their participation in the ring’s activities. A principal member of the ring, Rudolph Turner, was convicted of criminal possession of stolen property, scheme to defraud, forgery of a vehicle identification number, and criminal possession of a weapon. He was sentenced in November of 2005 to a term of three and a half to seven years in prison. The defendants were ordered to pay restitution totaling over \$150,000. The investigation also led to the recovery of vehicles valued at over \$500,000.

Nassau County Attorney Convicted in Scheme to Defraud Insurance Carriers

In late September, following a two week trial in Nassau County, personal injury attorney Daivery Taylor and his firm, Silverman & Taylor, were convicted of offering false instruments for filing and scheming to defraud no-fault insurance carriers. The evidence at trial established that Taylor paid steerers to solicit individuals involved in car accidents to retain Taylor in order to pursue bodily injury claims for pain and suffering. The steerers promised the accident victims large cash settlements from the filing of the claims. Once they were retained by his firm, Taylor filed retainer statements with the Office of Court Administration falsely claiming that the accident victims had been referred by medical clinics, thereby concealing the fact that they had been illegally referred by the steerers in exchange for money. Taylor and his firm are scheduled to be sentenced later this year.

Eight Defendants and a Law Firm Indicted on Enterprise Corruption Charges

In November, a Queens County grand jury charged eight people and a law firm for their roles in a criminal enterprise that submitted phony personal injury claims to insurance carriers. The defendants included two medical doctors, a personal injury attorney and his law firm, three medical clinic owners, and two steerers.

The indictment alleges that the steerers solicited motor vehicle accident victims identified through the use of police scanners to intercept radio transmissions of car accidents in Queens. The steerers raced to the accident scenes and solicited the accident victims to attend medical clinics owned by three of the defendants. The steerers are charged with instructing the accident victims to exaggerate and fabricate injuries. The clinic owners, defendants Yury Baumblit, Rimma Baumblit, and Alex Goferman, paid the steerers a fixed fee for each patient referral. At the clinics, the defendant-doctors, Zhanna Kanevsky and Dan Lewis, conducted cursory medical evaluations of the patients and referred them for unnecessary treatment and tests. Patients received months of unnecessary treatment, including physical therapy, acupuncture, chiropractic care, expensive diagnostic testing (including multiple MRIs and kidney sonograms) and durable medical equipment. The indictment further alleges that defendant-attorney Albert Rudgayzer filed fraudulent bodily injury claims on behalf of patients referred to him by the clinic owners. It is further alleged that Rudgayzer illegally paid the clinic owners a fee for the referral of each client and also shared with the clinics a portion of the proceeds from the settlements of the bodily injury claims.

The prosecution stemmed from a two-year investigation conducted by AIFU and included the use of court-authorized wiretaps. Investigators from the State Insurance Department's

Insurance Frauds Bureau also assisted in the investigation. The indictment is pending in Queens County. The charges are merely accusations, and the defendants are presumed innocent until and unless proven guilty.

Auto Insurance Broker Charged with Identity Theft and Grand Larceny

In December, a Bronx grand jury charged defendant Gabriel Feliz, an insurance broker, with submitting thousands of insurance policy applications to insurance carriers while using a stolen identity. The indictment alleges that in 1993, Feliz took broker licensing exams on separate dates under his own name and under another man's name. Feliz allegedly placed thousands of auto insurance policy applications with over twenty insurance companies in the name of the second individual, who had no knowledge of Feliz' activities. Over a ten-year period, Feliz appropriated at least \$300,000 in commissions that the insurance companies sent to Feliz' business address in the name of the second individual. The indictment alleges that Feliz fraudulently endorsed commission checks made payable to the other individual and placed the proceeds into his own business and personal accounts, thereby avoiding payment of taxes on any of the commissions. Feliz is charged with identity theft, scheme to defraud, grand larceny, forgery, and related crimes. The charges are pending in Bronx County. The indictment is merely an accusation, and the defendant is presumed innocent until and unless proven guilty.

Court of Appeals Upholds Subpoena For Law Firm Records

AIFU's efforts to prosecute attorneys who pursue fraudulent law suits were given a significant boost in May of 2005 when, in a landmark decision, the Court of Appeals held that partners of a law firm may not refuse to produce firm records by invoking the privilege against self-incrimination. In June of 2003, AIFU, on behalf of a Nassau County Grand Jury, issued a

subpoena to a law firm for records relating to the firm's personal injury practice. The firm refused to comply and argued that the subpoena violated the partners' rights against self-incrimination. The protracted litigation culminated in a decision almost two years later by the state's highest court extending a long-standing federal rule and ordering the firm to provide the records. The case is *In the Matter of Nassau County grand Jury Subpoena Duces Tecum Dated June 24, 2003*, 4 N.Y.3d 665 (2005). The history of the case exemplifies the legal time and energy necessary to pursue wrongdoing into the professional echelons of the scheme.

2004 CASE HIGHLIGHTS

In 2004, a total of 81 defendants were charged with felony insurance fraud and related crimes.

11 Charged in \$1 Million No-Fault Fraud

In early March, 11 people and 7 corporations were charged in Queens in a 100-count indictment in a far-reaching scheme to defraud insurance carriers under the no-fault system of an estimated \$1 million. The defendants - including doctors, other health care providers, attorneys, and steerers - manipulated the no-fault system by soliciting motor vehicle accident victims to attend IK Medical P.C., a medical clinic purported to be owned by defendant Irina Kimyagarova, an osteopathic doctor. The indictment alleges that the clinic was actually managed and controlled by two of the defendants, Emil Izrailov and Robert Shimunov, neither of whom had health provider licenses or any medical training. Once solicited to attend the clinic, patients received a range of health care services which were medically unnecessary, including physical therapy, acupuncture, chiropractic treatment, biofeedback, psychotherapy, and dental care. The

clinic then fraudulently billed no-fault carriers for services that were never provided and for the unwarranted treatment. The indictment further alleges that steerers affiliated with the clinic paid some of the patients to attend the clinic or promised patients that they would receive lucrative financial settlements from bodily injury claims. The case is scheduled for trial in September of 2006. The charges are merely accusations and the defendants are presumed innocent until and unless proven guilty.

23 Charged in Brooklyn and Queens Staged Accident Rings

In late April, 12 defendants were charged with operating two separate auto insurance fraud rings in Brooklyn and Queens. The defendants were accused of submitting more than \$350,000 in fraudulent personal injury claims to insurance carriers. The defendants, including two New York City correction officers, staged car accidents in 1999 and 2000 and then submitted fraudulent bills to insurance carriers claiming they had been injured. For one accident alone, two insurance carriers paid out over \$135,000 in claims. Felony charges were previously brought against 11 other persons connected with the accident rings who also submitted fraudulent no-fault claims to insurance carriers. Many of the defendants were paid by steerers for participating in the accidents and several received thousands of dollars in bodily injury settlements. Convictions have been obtained against 22 of the defendants and one defendant is at large.

31 Charged in Bronx Staged Accident Ring

In December, 31 members of a Bronx-based staged accident ring were charged with submitting phony no-fault claims to 13 different insurance carriers between March of 1999 and July of 2003. The defendants staged automobile accidents in the Bronx and Manhattan and then filed fraudulent insurance claims for non-existent injuries. The defendants used two different

scenarios in staging the accidents. In one scenario, the drivers of two vehicles would intentionally crash into one another. In the second scenario, the driver of a vehicle would cause an accident with an unsuspecting driver, frequently a taxicab or livery cab driver. The vehicle occupants were then directed by steerers to no-fault clinics in the Bronx, where they falsely claimed they had been injured in the accidents. Collectively, the defendants submitted just under \$500,000 in bills to insurance carriers and about half of those bills were paid. Convictions have been obtained against 26 of the defendants and the remaining cases are pending in Bronx County. The charges are merely accusations and the defendants are presumed innocent until and unless proven guilty.

2003 CASE HIGHLIGHTS

In 2003, 101 defendants were charged with felony insurance fraud or related crimes. The defendants included doctors, other health providers, attorneys, insurance brokers, and medical clinic managers and owners.

12 Charged in Motorcycle Accident Ring

In the spring of 2003, AIFU brought charges against the leaders of a Bronx-based insurance fraud ring that had submitted 14 phony property damage claims to insurers between February and October of 2002. The ring members falsely claimed in property damage submissions to insurance carriers that motorcycles owned by them had been in accidents with automobiles. The defendants fabricated the accidents and inflicted damage on the motorcycles or installed damaged parts to convince appraisers that the accidents had taken place. The carriers paid out more than \$85,000 on the bogus claims. The three principal defendants were indicted in

May of 2003 and subsequently convicted of insurance fraud and related crimes.

Nine Charged in Ambulance Chasing Ring

In June of 2003, AIFU brought charges against nine members of a Queens-based insurance fraud ring. Among those charged with submitting phony no-fault claims to insurance carriers were a personal injury attorney, two former New York City police officers, and a medical clinic owner. The case resulted from a multi-agency investigation involving AIFU, the New York City Department of Investigation, the Office of the Inspector General of the New York City Health and Hospitals Corporation, and the City of New York Hospital Police. The investigation included the use of undercover officers at medical clinics and a five-month wiretap.

Members of the ring based in Queens purchased the confidential health care information of motor vehicle accident victims from hospital emergency room employees. Steerers then solicited the patients to attend corrupt medical clinics. The patients were then referred to personal injury lawyers who filed phony bodily injury claims with insurers. Eight of the defendants have been convicted of insurance fraud and related charges, and a ninth defendant is scheduled for trial in September of 2006. The charges are merely accusations and the defendants are presumed innocent until and unless proven guilty.

Luxury Auto Theft and Export Ring Busted

In August of 2003, AIFU, the State Insurance Department, and the NYPD's Auto Crime Unit broke up a luxury auto theft ring based in Queens. The defendants were charged with theft of vehicles with a combined value in excess of \$500,000. Undercover officers infiltrated the ring by posing as middlemen willing to ship the vehicles out of the country. The owners of many of

the vehicles gave up their cars to the principal defendants and then falsely reported to the insurance carriers that the vehicles were stolen. The principal defendant, Mihail Dutescu, pleaded guilty to Grand Larceny in the Second Degree and was sentenced in November of 2003 to 2 to 6 years in prison.

Psychotherapists Convicted in No-Fault Fraud Ring

Also in December of 2003, the Attorney General announced the filing of a conspiracy and insurance fraud indictment against a group of psychotherapists who submitted phony bills under no-fault. The principal defendant was Gabriel Feldmar, a licensed psychologist who supervised psychotherapists at no-fault clinics throughout the New York City area. Feldmar and a group of therapists under his employ, including Brian McCarthy, submitted fraudulent bills to insurance carriers for counseling services they falsely claimed were provided to hundreds of motor vehicle accident victims. The defendants submitted bills for counseling sessions which never took place. They also conducted counseling sessions of one or two minutes and then billed under no-fault claiming the sessions lasted 45 to 50 minutes. Feldmar has been convicted of Insurance Fraud in the Second Degree and is expected to be sentenced in late 2006 to a one-year jail term and a fine of \$300,000.

25 Defendants Convicted Following Upstate Sweep

In a sweep of the upstate region, AIFU brought charges against 25 individuals for insurance fraud and related offenses. The defendants were charged with participating in a wide range of insurance scams, including staging of motor vehicle accidents and submission of phony property damage, theft, and no-fault claims to insurance carriers.

All 25 defendants have been convicted of insurance fraud and related charges and the

courts have imposed fines and restitution totaling over \$187,000. One defendant involved in a staged accident ring based in Buffalo, Abdul Almontaser, pleaded guilty to Insurance Fraud in the Third Degree and was sentenced in March of 2004 to 2 to 4 years in jail. A Kingston insurance broker, John Iapoce, was convicted on charges stemming from his submission of forged defensive driving certificates to insurance carriers in order to reduce premium costs and license points of his customers.

2002 CASE HIGHLIGHTS

In its first full year of operation, AIFU brought felony insurance fraud charges against 53 individuals, including health care providers, steerers who staged automobile accidents and referred the phony accident victims to medical clinics, and the drivers and passengers involved in these accidents who falsely claimed injuries.

January Insurance Fraud Sweep Results in Twenty Arrests

Following a series of short-term investigations, AIFU, with the assistance of the State Insurance Department and New York City Police Department, arrested 20 people in late January throughout the New York City area for engaging in insurance scams involving staged accidents, filing of fake accident reports, and submission of phony medical claims under no-fault. The 20 arrests, which arose out of 11 separate investigations, took place in Manhattan, Queens, the Bronx, Brooklyn, and Suffolk County.

Defendant Kevin Welch was convicted of Insurance Fraud in the Third Degree for his participation in a “paper accident” ring which submitted fraudulent no-fault claims to insurance carriers. Welch and his co-defendants created phony motor vehicle accident reports for accidents

which never took place and then submitted them to insurance carriers along with medical claims for treatment of their alleged injuries. The investigation of this accident ring continued for several months and, as set forth below, resulted in the arrest of 12 additional defendants in September of 2002.

Twenty-Five Defendants in Two Phony Accident Rings Charged in September with Bilking Insurance Companies of Over \$200,000

Two long-term investigations, which grew out of the January sweep of arrests, culminated in September with the arrests of 25 defendants who operated separate auto insurance fraud rings in New York City. The defendants in one phony accident ring were charged with staging car accidents and then seeking treatment at no-fault medical clinics for feigned injuries. Defendants in the second ring created phony motor vehicle accident reports and then sought and obtained treatment for their fake injuries. Together, over \$425,000 in phony bills were submitted to insurance companies, of which over \$200,000 was paid.

The staged accident ring operated out of Brooklyn. In that case, 13 defendants were indicted by a Brooklyn grand jury for submitting 24 phony claims totaling over \$300,000 to four insurance carriers under the state's no-fault insurance law. Insurance carriers paid out over \$100,000 to medical providers.

Among the defendants charged as co-conspirators in the staged accident ring were Nidal Jaber and Magdi Farag. Jaber recruited individuals to be passengers in the staged accidents, choreographed the accidents, and brought the phony accident victims to medical clinics to obtain treatment. Jaber also paid the drivers and passengers for their participation in the scheme. Magdi Farag was the registered owner of two vehicles that were used in the accidents. He

assisted in planning the accidents and was a driver in four out of the six accidents charged. In one of the accidents in which Farag was the driver, his wife and three children were the passengers. Farag pleaded guilty to Insurance Fraud in the Third Degree and, in February of 2003, was sentenced to a term of one to three years in prison. Jaber pleaded guilty to Insurance Fraud in the Fourth Degree and was sentenced in May of 2003 to one and a third to four years in prison.

In the paper accident ring, 12 people were arrested for their role in a scheme based in Manhattan and Brooklyn. The defendants were listed in a total of five phony accident reports dated in 2000 and 2001 as passengers, drivers, and, in one case, a registered vehicle owner. The defendants claimed injuries and visited medical clinics which submitted more than \$125,000 in claims to insurance companies. Over \$100,000 was paid out. Ten defendants in the paper accident ring pleaded guilty to insurance fraud or related crimes. One defendant, Booker Best, pleaded guilty to Insurance Fraud in the Fourth Degree and received a term of one and a half to three years in prison in April of 2003. The charges are merely accusations and the defendants are presumed innocent until and unless proven guilty.

AIFU Staffing

AIFU is a unit within the Criminal Prosecutions Bureau. Chief of the Bureau, Janet Cohn, was responsible for designing and staffing the unit and supervises it with her two deputy chiefs, Viola Abbitt and Laurie Israel.

The head of the unit is Steve Nachman, who has led AIFU since its inception, and oversees the day-to-day operations of the team. The Assistant Attorneys General currently

assigned to AIFU are: Laura Hemans Brantley; Edward Ferrity; Elizabeth Foley; William Jorgenson; John Pearson Kelly; Thomas K. McCarren; Stephanie Swenton; and Irwin Weiss.

The investigators, auditors and analysts assigned to AIFU are part of the Office's Investigation Bureau, commanded by Chief Investigator William Casey. Reporting to Casey is Deputy Chief Investigator Frank Orlando, who is assisted by Supervising Investigators Luis Martinez and Lawrence McDonald. Together, the four have over 100 years of law enforcement experience, including white collar fraud investigations, organized crime undercover work, narcotics, street crime, labor racketeering, and public corruption, as well as advanced degrees in management.

The investigators and auditors assigned to AIFU are: Jessica Abanilla, Michael Beshara, Joseph Bizzarro, Joseph Buffolino, Alicia Burstein, Evelyn Delgado, Garry Ferguson, Jose Flores, Kenneth Gomez, Merrie Gordon, Dave Henry, Luke Johnson, Adrian Klapper, Felix Krasnov, Angel LaPorte, Dennis Laverty, Patrick Lubin, Anna Maltseva, Michael McCutchan, Michael McNally, Olga Melamed, Osaretin Omoigui, Daniel Pisculli, Elsa Rojas, Richard Smith, Ronald Stripp, Dmitry Temis, and Svetlana Volchyok.

The analysts assigned to AIFU are: Chelsea Binns, Cynthia Irizarry, Yuriy Kurbatov, Brian Selfon, Jennifer Shields, and Paul Strocko.