

New York State Insurance Department

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FIFTY-ONE ARRESTED IN NEW YORK CITY INSURANCE FRAUD RING Insurance Department, New York Police Department and Brooklyn District Attorney's Office Announce Arrests After Weekend Takedown

Superintendent of Insurance Gregory V. Serio, along with New York City Police Commissioner Raymond W. Kelly and Brooklyn District Attorney Charles J. Hynes announced on Sunday the arrest of 51 individuals as part of the takedown of a no-fault insurance fraud ring in New York City.

The arrests are the first phase of "Operation Gateway," an investigation into a criminal organization that is taking advantage of New York's no-fault laws by falsifying auto accidents. It is estimated that fraudulent no-fault insurance claims amount to tens of millions of dollars a year in New York State, and hundreds of millions of dollars nationwide. Based on the evidence in this case, the loss is in the tens of millions of dollars.

"The elaborate scheme and sophistication of the criminals involved in the case dismantled today proves that criminals are aware of how to circumvent the current no-fault law and make a great deal of money by doing so," said Superintendent of Insurance Gregory V. Serio "The Governor, the Insurance Department and law enforcement agencies, like the New York Police Department and Brooklyn District Attorney's office, are doing everything within the power of the current law to take these criminals off the street, but until there is legislative action we will continue to see criminals like these who steal tens of millions of dollars from the auto insurance system and cause auto insurance rates to increase for honest New York drivers."

A typical no-fault auto insurance scam begins with "runners," or recruiters who arrange to send individuals supposedly injured in an accident to clinics for treatment. The runners obtain phony accident reports and recruit 'victims' to send to medical clinics, which are paid off to provide medical tests. Lawyers are also involved who file insurance claims, up to \$50,000 per victim which is the maximum amount allowed under New York's no-fault laws. The organization's top leaders keep most of the money and paid off those involved. In this case, runners were paid up to \$2,500 for every victim they could link to a fictitious accident.

The Department participated in the weekend takedown where NYPD detectives posed as insurance company representatives, called them at home to inform them they had been awarded an insurance claim of up to \$11,000 and to pick it up in person in Queens. When they arrived to pick up their claim money, they were arrested and charged with fraud.

The Department was initially contacted by the New York City Police Department to assist in the investigation in December 2002 after the NYPD received a tip regarding a suspected fraud ring in New York City. Also assisting in the investigation were Liberty Mutual Insurance Company, Kemper Insurance Company, MetLife Insurance Company, Allstate Insurance Company, Progressive Insurance Company, Clarendon Insurance Company, Continental Insurance Company, The Robert Plan, Eagle Insurance Company, GEICO Insurance Company, The Hartford Insurance Company, State Farm Insurance Company, Lancer Insurance Company, the Motor Vehicle Accident Indemnification Corporation, Nationwide Insurance Company, New York Central Mutual Fire Insurance Company, Statewide Insurance Company and Travelers Insurance Company.

New York is aggressive in its fight against insurance fraud. To report suspected incidents of insurance fraud call 1-888-FRAUD-NY (1-888-372-8369). It should be noted that an arrest is merely an accusation and that a defendant is presumed innocent until proven guilty.