

Insurance Fraud Bureau of Massachusetts

2021 Annual Report

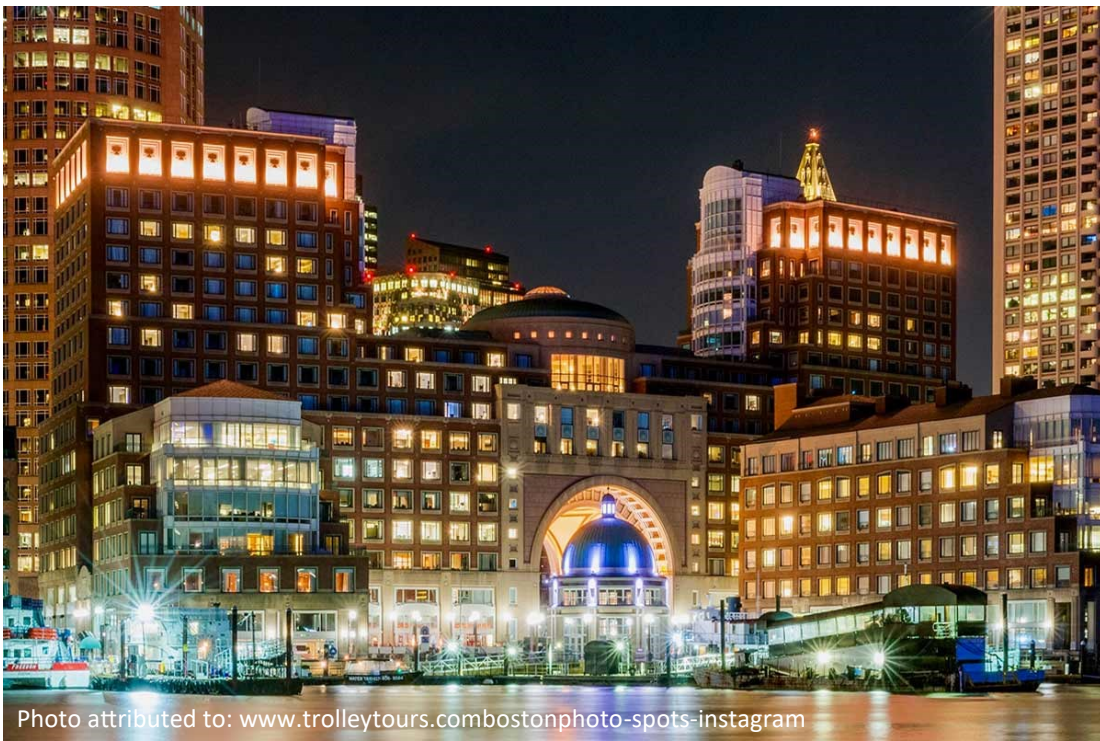


Photo attributed to: www.trolleytours.com [bostonphoto-spots-instagram](https://www.instagram.com/bostonphoto-spots)

101 Arch Street • Boston, Massachusetts 02110 • www.ifb.org



Contents

Executive Summary	1
Referral Summary	2
Case Summary	3
Community Insurance Fraud Initiatives	4-5
Health Care and Prescription Fraud	6
Prosecution Summary	7
Individuals Charged	8
Individual Dispositions	9
Financials	10
IFB Organizational Units	11
Insurance Fraud Bureau Offices	12
Officers & Board of Governors	13
Committees	14

CONTACT THE INSURANCE FRAUD BUREAU OF MASSACHUSETTS

Address: 101 Arch Street, Boston, MA 02110
Telephone: 617.439.0439
Hotline: 1.800.32FRAUD
Email: referrals@ifb.org
Website: <https://www.ifb.org>

Executive Summary



First and foremost, 2021 was a special year for the Insurance Fraud Bureau of Massachusetts (IFB) as it marked our 30th year of fighting insurance fraud in the Commonwealth. On May 26, 2021 we held a virtual award ceremony to honor many of the individuals who have contributed to our success over the years. Forty individuals from the insurance industry, local police departments, law enforcement agencies, and prosecutors' offices were recognized in appreciation of their contributions in combating fraud. The IFB also received recognition from our many partners acknowledging our commitment to reducing fraud in Massachusetts and highlighting the IFB as a model for other insurance fraud bureaus throughout the country. In December, in celebration of our 30th anniversary, WCVB's Mike Beaudet spotlighted the IFB and the types of fraud investigated in its 30-year history. Mr. Beaudet also reported on the auto body shop owner, Adam Haddad, and his sentencing in June of 2021.

We all hoped that COVID-19 would be behind us as we started 2021 but we continued to cope with COVID-19 issues both professionally and personally throughout the year. As new surges occurred, IFB investigators pivoted to conducting investigations remotely, ensuring their health and safety as well as that of subjects and witnesses. The IFB adheres to recommended COVID-19 protocols.

COVID-19 continued to affect court activity in 2021. Some jurisdictions remained mostly virtual throughout the year while others saw increased case movement only during the latter months of 2021. While the number of individuals charged and disposed increased significantly over 2020, prosecution activity has not yet returned to pre-pandemic levels. However, there were several major case developments in 2021 which are highlighted within this report. The IFB maintains support of investigations throughout the prosecution phase to final resolution. The result of this activity has generated over \$103.6 million in restitution ordered to the industry since the inception of the IFB.

Technology plays an increasingly important role in a hybrid workplace. While always a priority, data security, maintenance, and improvement to the IFB infrastructure systems took on greater significance in 2021 allowing IFB staff to perform at high levels of productivity for both in-office and remote settings.

The IFB continues to commit resources to outreach. Staff attended virtual training sessions and also provided in-person and virtual speakers to insurance-related organizations. One speaking engagement resulted in coverage that was highlighted in *The Standard*.

I would like to thank the IFB Board of Governors for their continued support and guidance. The service and commitment of the insurance company representatives and public officials who serve on the Board is invaluable to our success.

Anthony M. DiPaolo

Executive Director

Referral Summary

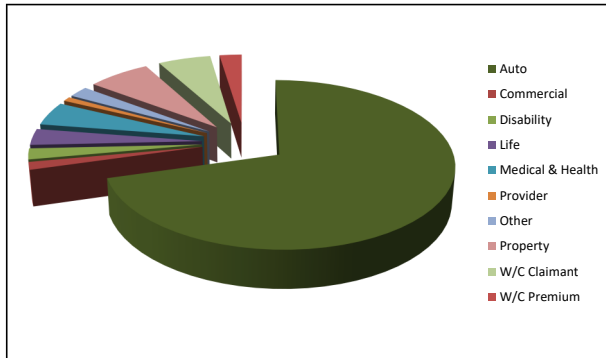
The IFB received 2,932 referrals in 2021. The principal source of referrals was from insurance carriers with 2,629 referrals received through submission by the insurance carrier directly to IFB or forwarded through the websites of the National Insurance Crime Bureau and the National Association of Insurance Commissioners. Most referral information is submitted electronically via a secured FTP site, DropBox, or secured email to referrals@ifb.org. Password protected CDs and flash drives and paper referrals are received through mail.

Strong relationships with local police departments have resulted in multiple reports of suspected insurance fraud. Referrals are also received from state and federal agencies. Private citizens are encouraged to report possible fraud tips to the IFB hotline at 1-800-32FRAUD or through the IFB website at <https://www.ifb.org>.

Each allegation of insurance fraud received is evaluated. Referrals may be declined for further investigation due to lack of evidence of criminal insurance fraud or insufficient information provided with the referral. Referrals may also be forwarded to another agency with jurisdiction to handle the allegation. The referrals accepted for investigation are deemed to be the most viable for successful prosecution.

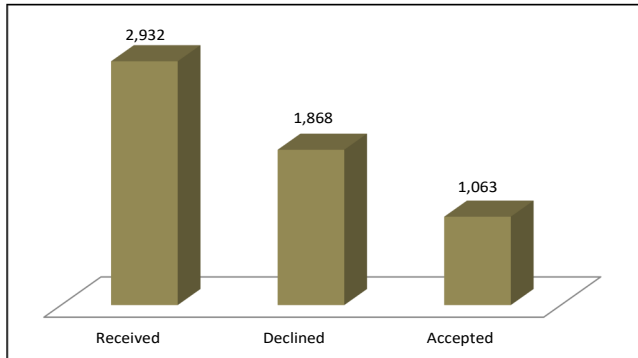
Since the inception of the IFB in 1991, 86,867 referrals have been received. Automobile claims continue to comprise the majority of referrals. Workers' compensation and provider referrals typically involve higher dollar impact cases.

Referrals Received in 2021

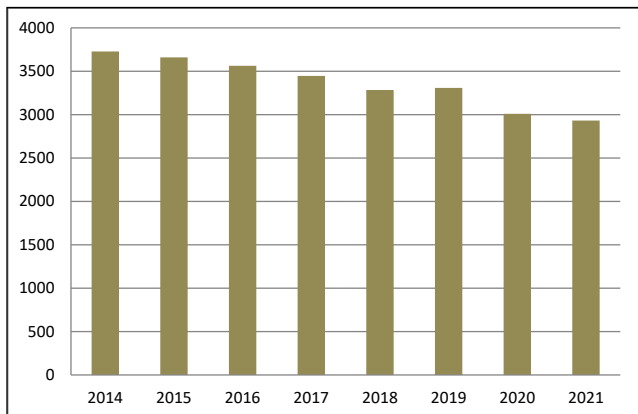


Auto	- 2,070
W/C Clmt	- 166
W/C Prem	- 70
Other	- 626
Total	- 2,932

Referral Activity in 2021



Referrals Received by Year

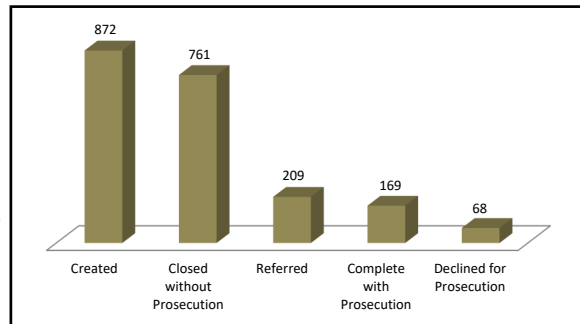


Case Summary

There were 1,191 cases under investigation in 2021 with 209 cases recommended for prosecution. Cases that did not meet the required burden of proof were closed without prosecution.

Investigative caseloads include cases under active investigation as well as cases referred to prosecution. Working with the prosecutor may involve locating witnesses, witness interviews, delivery of subpoenas and pursuing additional avenues of investigation. Case workloads change frequently with new cases created, assigned for investigation and closed.

Case Activity in 2021



The time a case remains in wait or assigned status is influenced by the loss location and the type of case. Cases in the task forces (CIFIs) move faster through the process due to the type of fraud and the close working relationship with local police and prosecutors. Investigations involving alleged provider fraud, workers’ compensation premium and claimant fraud, and other types of insurance fraud can be more complex in nature. These cases are usually recommended for prosecution to the offices of the Attorney General and United States Attorney and take longer to move through the process.

The following table depicts, for year-end 2021, the number of cases in inventory waiting to be assigned to an investigator and cases that are actively being worked.

Case Status by Unit/Task Force as of December 31, 2021

Unit/Task Force	Cases in Wait	Cases Assigned	Cases at a Prosecutor's Office	Total Active Cases
General Unit	3	5	12	17
Provider Fraud Unit	24	22	35	57
W/C Claimant Unit	6	11	2	13
W/C Premium Evasion Unit	11	19	32	51
Boston CIFI	215	48	109	157
Brockton CIFI	53	13	36	49
Chelsea/Revere CIFIs	17	1	9	10
Lawrence/Lowell CIFIs	116	19	63	82
Lynn CIFI	42	5	13	18
New Bedford/Fall River CIFI	48	11	44	55
Randolph CIFI	12	4	27	31
Western Massachusetts CIFI	111	36	63	99
Worcester CIFI	96	28	30	58
Total	754	222	475	697

Community Insurance Fraud Initiatives

Created in 2003, the Community Insurance Fraud Initiatives (CIFI) continue to provide deterrence against alleged insurance fraud within each CIFI town. Automobile investigations remain the priority within each CIFI town although all CIFIs have expanded into surrounding towns. In addition, some jurisdictions also investigate workers' compensation, property and provider fraud at the community level. The largest CIFIs are in Boston and Western Massachusetts. Boston handles automobile insurance fraud cases throughout Boston and its neighborhoods. The Western Massachusetts CIFI investigates all types of alleged fraud in the Western part of the state, with emphasis on Hampden and Western Massachusetts counties.

The CIFI program has also had a tremendous impact on the savings for each of the CIFI communities and its cumulative effect on the automobile insurance industry. Estimated deterred losses represent annual losses that would have likely occurred without the ongoing efforts of the CIFI program. This effect represents an average of \$62 in annual savings per vehicle across the state. The savings are even greater in the CIFI towns as shown in the table below.

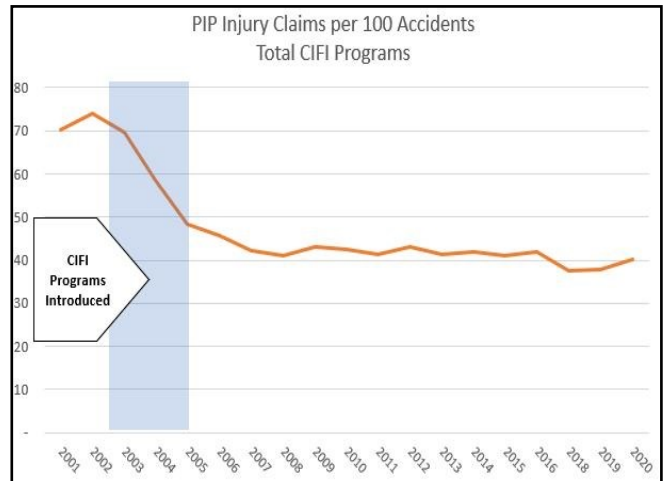
Estimated Annual Insured Losses Deterred Due to the Ongoing Efforts of the Community Insurers Fraud Initiatives (CIFI)				
CIFI Community	(\$ millions)		Savings per Vehicle	
	Estimated Losses Deterred		Average	Percent
Boston (All)	\$67.1	✓	\$279	13.7%
Brockton	\$16.9	✓	\$332	14.1%
Chelsea-Revere	\$7.6	✓	\$181	9.0%
Fall River-New Bedford	\$5.1	✓	\$47	3.1%
Holyoke-Springfield	\$13.8	✓	\$139	8.2%
Lawrence	\$23.1	✓	\$595	26.2%
Lowell	\$8.3	✓	\$136	8.7%
Lynn	\$10.8	✓	\$219	11.0%
Quincy-Randolph	\$4.9	✓	\$63	4.0%
Worcester	\$10.7	✓	\$110	6.7%
Total CIFI Communities	\$168.3	✓	\$194	10.6%
Statewide (excluding CIFI)	\$110.5	✓	\$30	2.7%
Total Statewide	\$278.9	✓	\$62	4.9%

Source: Automobile Insurers Bureau of Massachusetts

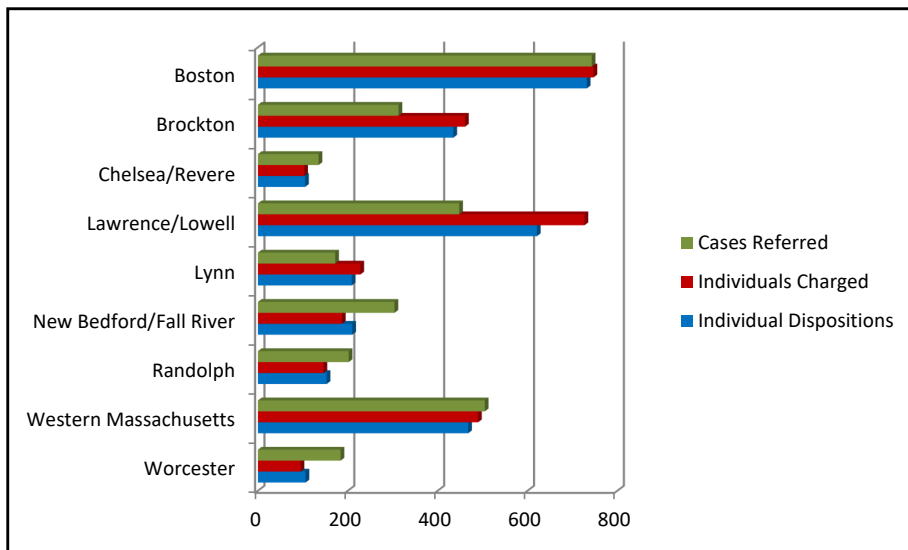
Community Insurance Fraud Initiatives (continued)

IFB task force locations were initially established based on the ratio of “injuries per 100 accidents by town.” This measurement continues to highlight the success of the program. At the beginning of the CIFI program this ratio across all CIFI towns was 70 injury claims per 100 accidents. Over the first few years of the CIFI program, this injury rate dropped to approximately 38. Notably and importantly, these injury rates have not changed.

The chart at right reflects the drop in injury claims for the entire CIFI program since the inception of the program.



The chart below shows activity of the CIFIs (cases referred to prosecution, individuals charged, and individuals who have reached a final disposition) since inception of the program.



Grant money is awarded annually to District Attorney offices in jurisdictions where CIFI reside. The grant program is coordinated with the Commissioner of Insurance and helps to continue the work to fight automobile insurance fraud. At right, Executive Director Tony DiPaolo presents a check to Worcester District Attorney Joseph Early Jr. and Assistant District Attorney Maureen McNally.



Health Care and Prescription Fraud

Investigations into health care personnel who falsely bill insurers for services not rendered or overbill for services rendered are a priority of the IFB Provider Fraud Unit. In addition, the IFB plays a role in the investigation of cases involving medical providers, nurses and medical personnel who abuse narcotics and opioids, or over-prescribe drugs.

The following cases involve health care providers' fraudulent billing or overbilling, medical personnel who abuse drugs, and other individuals who created alleged schemes to fraudulently bill health care insurance companies.

◇ The owner of a Quincy recovery center was arraigned in connection with a fraudulent scheme to bill the state's MassHealth program and other private and government-funded plans for behavioral health services that were never provided to patients. The woman allegedly billed for services not rendered by licensed or supervised employees; and billed for services under the names of providers who were no longer employed by her company. She allegedly fraudulently obtained more than \$480,000 from MassHealth and at least another \$4,800 from private insurers for services never provided to patients.

◇ A Mashpee nurse allegedly falsified and forged a medication requisition form and ordered medications for a patient; the medications ordered had never been prescribed to the patient and were allegedly ordered in the patient's name for her own use. The nurse allegedly admitted that she sent the pharmacy a falsified physician's order for three medications that she diverted for her own use. A hotline call to the IFB's tip line initiated the investigation.

◇ The owner of a Brighton physical therapy clinic, along with three employees, allegedly conspired to obtain reimbursement from an insurance company for physical therapy services that were never provided and/or not medically necessary. In some cases, treatment was provided by individuals not licensed to provide the services. In addition, the clinic allegedly paid patients for referrals, referred patients to attorneys to assist with patients' insurance settlements, and accepted kickbacks from those attorneys in return.

◇ Seven individuals were charged in connection with a scheme to collect reimbursement checks from health insurance companies for medical treatments they never received. The defendants fraudulently collected more than \$326,000 in reimbursement checks after submitting 18 false insurance claims for medical treatment they allegedly received while traveling in Africa. Investigation found that the 18 sets of medical records provided by the defendants to their insurance companies were substantially similar and several of the defendants were working while collecting wages in the U.S. on the same dates they were allegedly hospitalized and receiving care in Africa.

◇ Two men were charged in connection with preying on people with substance abuse disorders, sending them to treatment facilities in Florida, and signing them up for false insurance policies in order to make a profit. One worked as a "runner" and allegedly worked in partnership with the Florida detox and addiction treatment facilities to produce patients. The other man, an insurance agent, allegedly produced fraudulent insurance policies on the patients' behalf. The Florida facility would then bill insurance companies for treatments. The insurance companies paid out approximately \$730,000 in insurance claims as a result of this scheme.

Details on additional cases can be found on the IFB website.

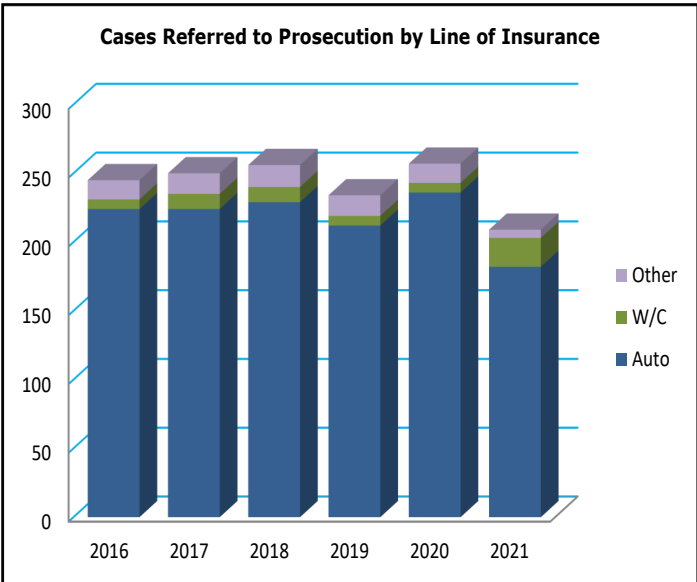
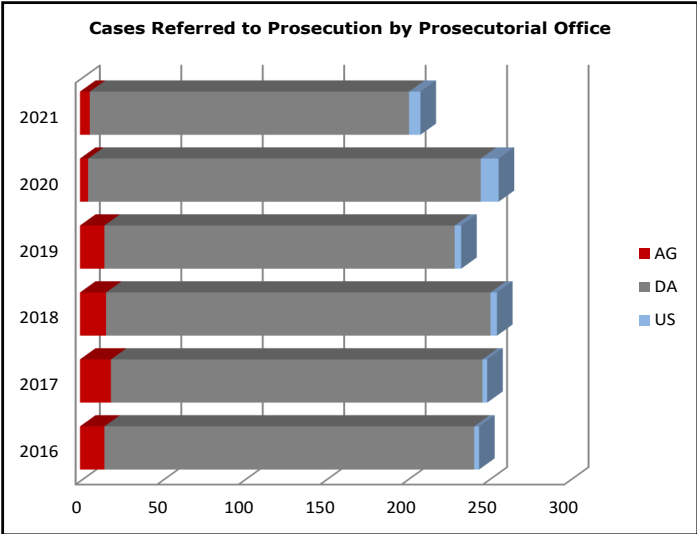
Prosecution Summary

After an IFB case investigation is complete and a determination is made that sufficient evidence has been gathered for possible criminal prosecution, a recommendation is made to a prosecutorial office. Depending on the type, complexity and prosecutorial jurisdiction of the case, the case is referred to the office of the Attorney General, United States Attorney or a District Attorney. Prosecution activity may result in complaints issued or indictments returned. A case may conclude quickly as in single-vehicle, single-subject cases. However, in many instances, it may take months or years to reach final disposition.

In 2021, IFB referred 209 cases to prosecutors. CIFI-related case activity makes up the largest number of cases. These cases are predominantly staged automobile theft, hit-while-parked, and single-subject cases.

There were 196 cases referred to offices of District Attorneys in 2021. Seven cases were referred to the United States Attorney’s office and six to the Massachusetts Attorney General’s office.

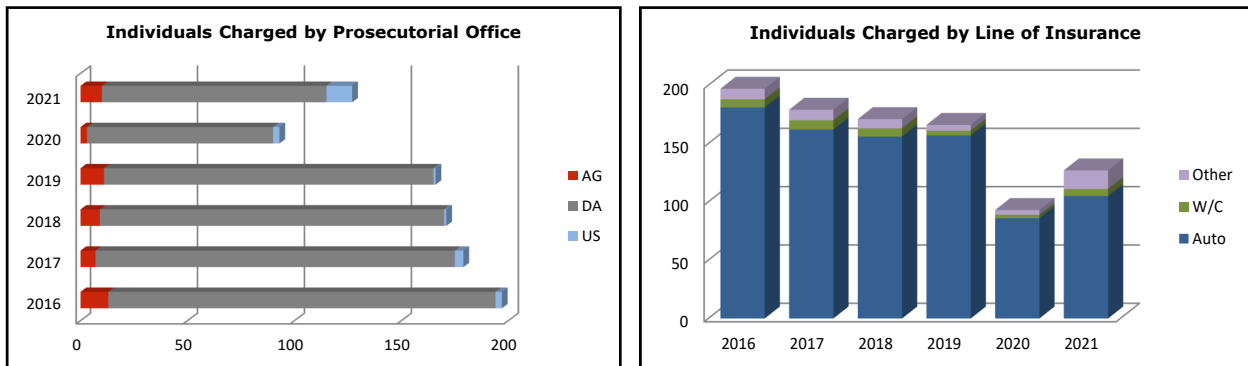
Of the 209 cases referred to all prosecutors, 182 were classified as automobile, six workers’ compensation and 21 other (such as medical/health, provider, agent, property, commercial, life, disability and travel).



Individuals Charged

In 2021, due to continued pandemic-related court closures for part of the year, 127 individuals were charged with insurance fraud-related violations; 24 indictments were returned and 103 complaints were issued. At the CIFI level, complaints are often taken out by local police assisting the task force or by the IFB investigator at the direction of a prosecutor. Probable cause is established through the clerk’s office.

Individuals charged in 2021 came from multiple types of insurance fraud investigations. The majority were from automobile investigations, but medical/health, provider, workers’ compensation premium evasion and claimant fraud, commercial, travel and property fraud cases were also investigated with individuals charged.



Some individuals charged include:

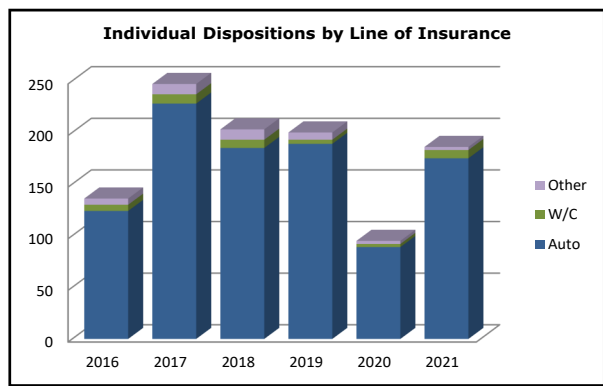
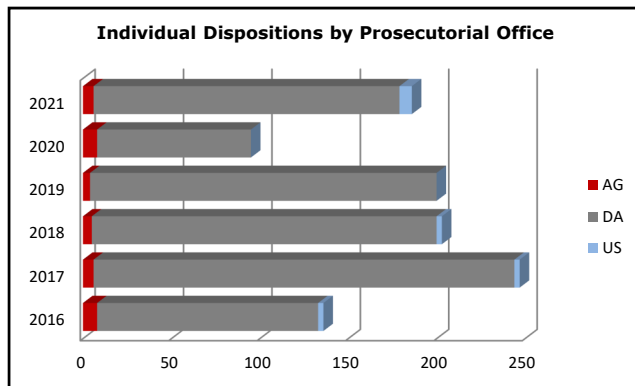
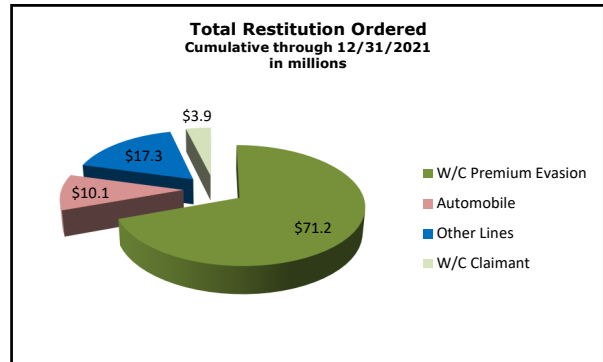
- ◇ The owner of a Lowell temp agency was charged in connection with his agency’s failure to disclose the true size of its payroll to its workers’ compensation insurer. The owner allegedly evaded at least \$141,194 in workers’ compensation premiums by under-reporting his company’s payroll.
- ◇ A Great Barrington man was charged with burning a house in connection with an alleged arson scheme to defraud his insurance company. Massachusetts State Police requested IFB assistance with its insurance fraud investigation. The fire damage was estimated at approximately \$940,550. Investigation confirmed that the property was for sale and under agreement at the time of the fire.
- ◇ A Middleboro financial advisor was charged with allegedly defrauding elderly clients and stealing retirement assets. The financial advisor allegedly made unauthorized withdrawals from victims’ annuities and induced victims to give him money to invest on their behalf, which he then used for personal and business expenses. To carry out his scheme, he posed as clients when on calls with their annuity companies and forged their names on forms requesting withdrawals from their annuities.
- ◇ A Norwood woman is accused of fraudulently receiving workers’ compensation benefits and disability benefits from the Social Security Administration (SSA). She allegedly repeatedly stole workers’ compensation benefits, as well as Social Security disability benefits. It is alleged that she falsely reported to the SSA that she had not worked since 2017 due to a medical disability but was actively employed at a dermatology practice at the time.

Details on additional cases can be found on the IFB website.

Individual Dispositions

The court process can take months or years to reach a final disposition. This is true especially in state and federal cases due to the overall size and complexity of many of the large cases. In 2021, 13 individuals were convicted and another 21 individuals' cases were continued without a finding. An additional 152 individuals' cases reached final disposition which included pre-trial probation, resolved at a show cause hearing, general continuance, dismissal, acquittal or nolle prosequi.

Individuals may be sentenced to jail time, suspended sentences, probation, restitution, community service or a combination of the above.



Notable convictions from 2021 include the following:

◇ A Shrewsbury man who owned auto body shops in Everett and Worcester pleaded guilty to multiple counts of insurance related charges. He was sentenced to two and a half years in jail, with six months to serve, and ordered to pay \$170,000 in restitution. He also surrendered his automotive appraisals license. The owner regularly enhanced damage to vehicles and caused new damage to customers' vehicles to falsely inflate appraisal repair quotes for labor, paint, and parts reimbursement requests. He would then make an additional profit by pocketing the insurance companies' checks and not completing the necessary repairs to the customers' cars. Surveillance footage from one of his business locations showed him using mallets, sledgehammers, and pieces of wood to intentionally cause damage to customers' vehicles.

◇ A Worcester man was sentenced to serve 25 months in prison and ordered to pay approximately \$3.5 million in restitution to the Internal Revenue Service and his insurance company. He concealed millions of dollars in cash wages that were paid to employees in companies he managed which he failed to report to the Internal Revenue Service or to his workers' compensation insurer. Two other defendants in the case, both former employees, also pleaded guilty. A former Worcester man was sentenced to probation and ordered to pay restitution of \$239,000. A Shrewsbury woman pleaded guilty to perjury and was sentenced to probation and a \$10,000 fine.

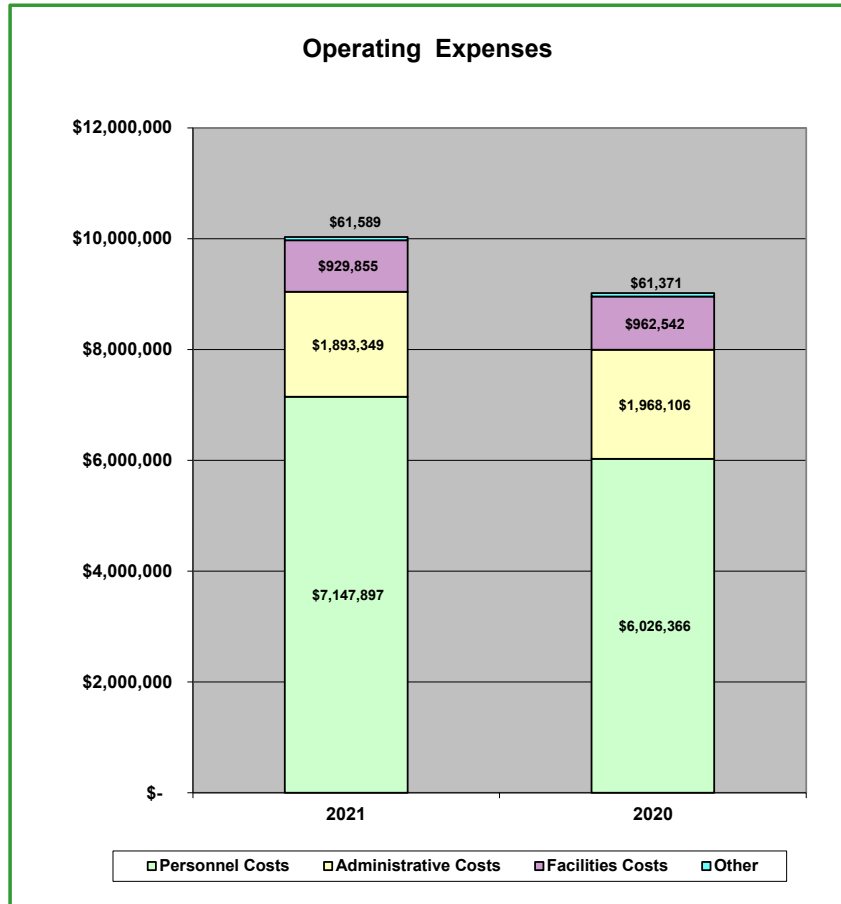
Details on additional cases can be found on the IFB website.

Financials

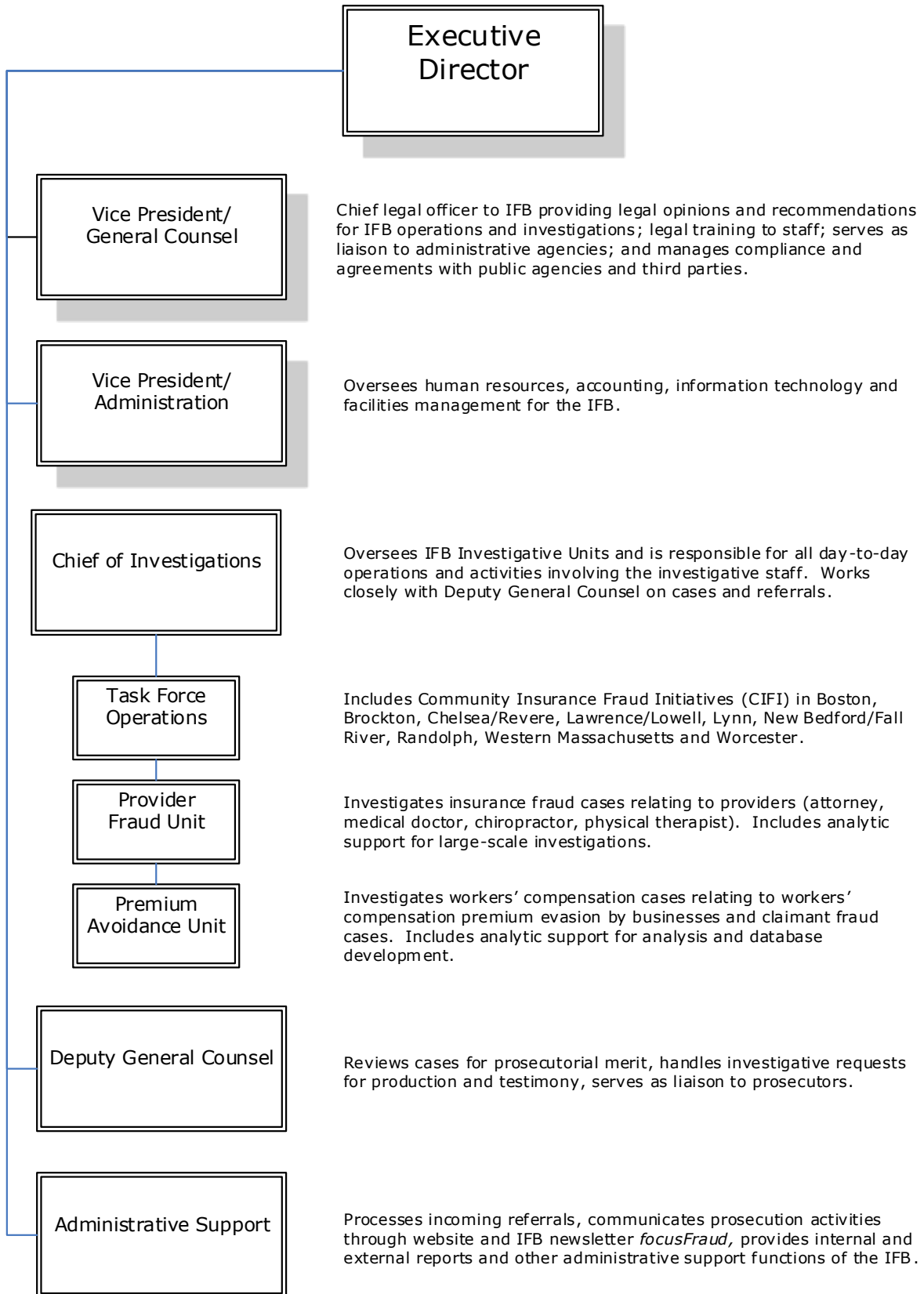
	2021	2020
Revenues		
Assessments	\$ 10,015,186	\$ 9,976,514
Other Income	<u>1,137,874</u>	<u>1,137,341</u>
Total Revenues	\$ 11,153,060	\$ 11,113,855
Expenses		
Personal Costs	\$ 7,147,897	\$ 6,026,366
Facilities Costs	929,855	962,542
Administrative Costs	1,893,349	1,968,106
Professional Services	<u>61,589</u>	<u>61,371</u>
Total Expenses	\$ 10,032,690	\$ 9,018,385
District Attorneys Funding*	530,000	530,000
Other Reserve Fund Uses	140,189	1,100
Net Addition to Reserve Fund	<u>450,181</u>	<u>602,638</u>
Surplus Funds**	<u>\$ 0</u>	<u>\$ 961,732</u>

* As directed by the Commissioner of Insurance

** Amounts returned to the insurance industry in the following calendar year



Insurance Fraud Bureau Organizational Units



Insurance Fraud Bureau Offices



Northern Region (Lawrence/Lowell CIFIs) located in Lawrence; Lynn & Chelsea/Revere CIFIs located in the Lynn Police Department



Boston Office (legal; management; support functions; general, provider, workers' compensation units; Boston CIFI)



Western Region (Holyoke/Springfield & Worcester CIFIs) located in Auburn



Southeast Region (Brockton, Randolph & New Bedford/Fall River CIFIs) located in Brockton

Officers and Board of Governors

Officers

Anthony M. DiPaolo, Executive Director
Laura A. Kessler, Vice President, General Counsel
Thomas J. Simon, Vice President, Administration

Representing the AIB Governing Committee

Board of Governors

Arbella Insurance Group
MAPFRE USA Corp.
Metropolitan Group
Safety Insurance Group
The Hanover Insurance Group

Representing the WCRIB Governing Committee

AFL/CIO
A.I.M. Mutual Insurance Company
Liberty Mutual Insurance Company
Thomas J. Woods Insurance Agency
The Travelers Insurance Company **

Public Members

Commissioner of Department of Industrial Accidents
Commissioner of Insurance
Registrar of Motor Vehicles
Secretary of Labor and Workforce Development
Secretary of Public Safety

** Denotes board chairman

Committees

Committee	Mission	Members
Audit	Provide oversight on the accounting, financial reporting and auditing practices of IFB	Liberty Mutual Insurance Company** Metropolitan Group The Travelers Insurance Company
Budget	Review and approve prospective budget plans and staff additions	A.I.M. Mutual Insurance Company Commissioner of Insurance Liberty Mutual Insurance Company** MAPFRE USA Corp. Safety Insurance Group
Communications Subcommittee	Examine and discuss communications between IFB and insurers	A.I.M. Mutual Insurance Company Arbella Insurance Group Liberty Mutual Insurance Company MAPFRE USA Corp. Metropolitan Group Safety Insurance Group** The Hanover Insurance Group The Travelers Insurance Company
Long Range Planning	Guide long-term direction of IFB activities; designate line of business priorities, geographical orientation and IFB legislative initiatives	AFL/CIO Arbella Insurance Group Commissioner of Department of Industrial Accidents Metropolitan Group** The Travelers Insurance Company
Personnel	Approve personnel related plans and programs, including salary structures, job grades and ranges and benefit packages	Liberty Mutual Insurance Company Registrar of Motor Vehicles Secretary of Labor and Workforce Development The Hanover Insurance Group** Thomas J. Woods Insurance Agency
Tip Reward	Review and approve reward payments to informants for tips which lead to the prosecution of insurance fraud perpetrators, as part of the approved IFB Tip Reward Program	Arbella Insurance Group Liberty Mutual Insurance Company ** MAPFRE USA Corp. Safety Insurance Group Secretary of Public Safety

** Denotes committee chairman