



*Washington State Office of the*  
**INSURANCE COMMISSIONER**

## PERIODIC REPORT TO THE LEGISLATURE

Office of the Insurance Commissioner  
Special Investigations Unit (SIU)

February 2015



Under RCW 48.135.100, the commissioner is tasked to periodically report the fraud program's activities to the Legislature. This 2015 Report to the Legislature includes but is not limited to an overview of the fraud program's cases referred for prosecution, the number of convictions obtained, the amount of money recovered and any recommendations of the insurance fraud advisory board from 2012 through 2014.

# Insurance Fraud Advisory Board (IFAB)

*Under Revised Code of Washington (RCW) 48.135.090, the commissioner shall appoint an insurance fraud advisory board. The board shall consist of ten members. Five members shall be representatives from the insurance industry doing business in this state, at least one of which shall be from a Washington domestic insurer, two members shall represent consumers, one member shall represent the national insurance crime bureau or successor organization, one member shall represent prosecutors, and one member shall represent other law enforcement agencies...*

**Bill Baldwin**

Independent Insurance Agents & Brokers of Washington

**Molly Matthys**

Safeco Insurance

**Gary Simpson**

Kitsap County Sheriff's Office

**Craig Williamson**

Farmers New World Life

**Kent Davis**

Law Firm Technology Specialists

**Steve Geertz**

AARP Foundation

**Patrick M. Guiton**

Cambia Health Solutions

**Dana MacDonald**

National Insurance Crime Bureau (NICB)

**Joseph Wheeler**

Thurston County Prosecutor's Office

**Keith Friedrich**

Travelers Insurance Company



## **Message from Commissioner Mike Kreidler: Protecting consumers by combating insurance fraud**

Protecting consumers is our top mission at the Office of the Insurance Commissioner. The National Insurance Crime Bureau estimates that 10 percent of all insurance claims filed are fraudulent, adding as much as \$700 a year into the average household's insurance premiums. It's a crime where few benefit, but all pay.

Our Special Investigations Unit (SIU) is charged with investigating criminal insurance scams. We have had great success fighting fraud these past few years. This report highlights some of our accomplishments in our quest to protect the citizens of Washington state.

Along with our Insurance Fraud Advisory Board, I remain committed to protecting and educating consumers. I encourage you to visit our website at [www.insurance.wa.gov](http://www.insurance.wa.gov) to learn more about how to avoid falling victim to insurance scams. Together, we can make a difference in our fight to reduce insurance fraud.

Sincerely,

Mike Kreidler  
Insurance Commissioner



# Interagency Partnerships



**Puget Sound  
Special Investigators**



# Overview

The Legislature filled a critical void in the state's ability to investigate insurance fraud by authorizing the establishment of a Special Investigations Unit (SIU) under the Office of the Insurance Commissioner (OIC). The SIU was established pursuant to RCW 48.135.020. The unit's focus is criminal investigation and prosecution of fraudulent activities against insurance companies.

SIU shares and receives information with federal, state, and local law enforcement officials and regulatory agencies to identify, investigate and prosecute criminal organizations and individuals engaged in fraud schemes that target the insurance industry. These schemes can take many forms, including the deliberate faking of accidents, injuries, thefts and other losses. SIU detectives investigate individuals and organized crime rings whose activities can range from a single fraudulent claim to the staging of large schemes intended to steal millions of dollars from insurance companies.

*"Zurich Insurance is committed to helping our customers protect themselves from insurance fraud. We appreciate that the Washington State Insurance Commissioner's Office is taking a strong stand against fraud and that they have a dedicated professional Special Investigations Unit in place to drive that effort. Insurance carriers and state authorities working together can make a difference in the fight against fraud. The State of Washington is a fine example of that spirit of collaboration."*

-Brian K. Wilson  
Vice President Zurich North America



# RCW 48.135.010

“(1) **“Insurance fraud”** means an act or omission committed by a person who, knowingly, and with intent to defraud, commits, or conceals any material information concerning, one or more of the following:

- a) Presenting, causing to be presented, or preparing with knowledge or belief that it will be presented to or by an insurer, insurance producer, or surplus line broker, false information as part of, in support of, or concerning a fact material to one or more of the following:
  - i. An application for the issuance or renewal of an insurance policy;
  - ii. The rating of an insurance policy or contract;
  - iii. A claim for payment or benefit pursuant to an insurance policy;
  - iv. Premiums paid on an insurance policy;
  - v. Payments made in accordance with the terms of an insurance policy; or
  - vi. The reinstatement of an insurance policy;
- b) Willful embezzlement, abstracting, purloining, or conversion of moneys, funds, premiums, credits or other property of an insurer or person engaged in the business of insurance; or
- c) Attempting to commit, aiding or abetting in the commission of, or conspiracy to commit the acts or omissions specified in this subsection.

# SPECIAL INVESTIGATIONS UNIT

## **MISSION STATEMENT**

The Special Investigations Unit identifies, investigates, and brings to prosecution criminal organizations and individuals engaged in fraud schemes that target the insurance industry.



## Fraud affects all of us

Insurance fraud is committed by applicants for insurance, policyholders, third-party claimants, vendors paid by insurance and professionals who provide insurance services. Examples of *hard fraud* are faking an accident, injury, theft, arson or other loss; taking out a life insurance policy while intending to kill the insured; and intending to collect money illegally from insurance companies. Examples of *soft fraud* include a policyholder inflating the value of a stolen item or claiming that a bumper was damaged in an accident when it was damaged beforehand. Soft fraud is generally referred to as an opportunistic crime.

Insurance fraud is a major problem in the United States. It has no doubt existed wherever insurance policies are written, taking different forms to suit the economic time and coverage available. Insurance fraud results in substantial additional costs being paid in the form of higher premiums by innocent consumers and businesses throughout Washington.

**Fraud, the crime  
you pay for**



# Fraud referred to the commissioner

The SIU's work begins with a referral. Sometimes called a case by insurance companies, a referral is a questionable insurance claim that is passed to the SIU to look into. For insurance fraud, there is always an insurer involved as the victim of the alleged fraud, and typically also as the holder of critical evidence needed to evaluate and investigate the case. Insurance companies refer questionable claims to the SIU as required by statute (RCW 48.135.050).

Insurance companies flag questionable claims in an insurance industry database before referring them to SIU. Most referrals come from the National Insurance Crime Bureau (NICB). NICB is a not-for-profit organization that receives support from nearly 1,100 property and casualty insurance companies and self-insured organizations.

NICB partners with insurers and law enforcement agencies to identify, detect and prosecute insurance criminals. Insurers and other participating organizations report claims data and information to the

Insurance Services Office (ISO); NICB member companies input referrals on property and casualty claims into the ISO questionable claims database.

The National Association of Insurance Commissioners (NAIC) is another source of referrals. NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from all 50 states. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews and coordinate their regulatory oversight. The NAIC maintains an online fraud reporting system that consumers and the insurance industry may use to report fraud. The NAIC forwards fraud referrals to the OIC for assessment and follow-up.

In addition to NICB and NAIC, the OIC receives referrals directly from consumers through our website, [www.insurance.wa.gov](http://www.insurance.wa.gov). We accept information from any member of the public who suspects insurance fraud has occurred.

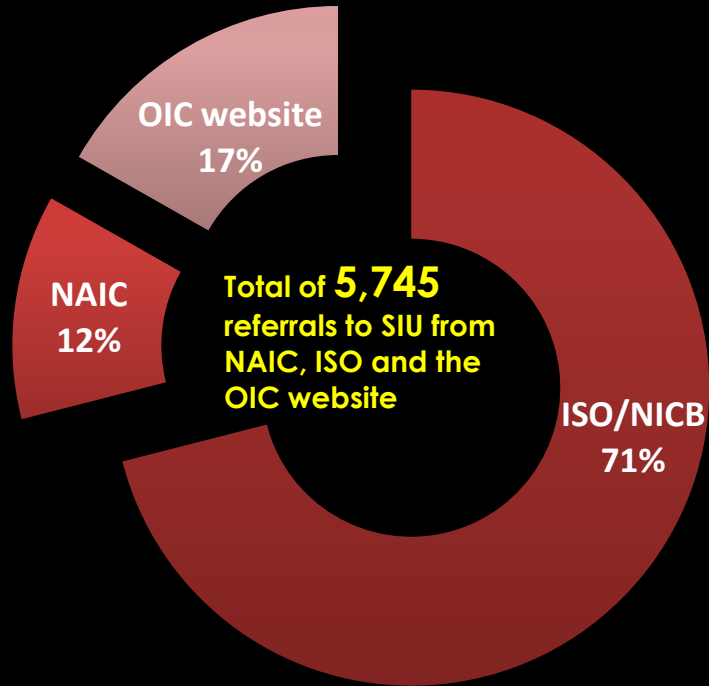
# Referrals to SIU

January 1, 2012 to December 31, 2014

Insurance Services Office (ISO/NICB)	<b>4,080</b>
National Association of Insurance Commissioners (NAIC)	<b>701</b>
OIC website	<b>964</b>

# Referrals to SIU

2012-2014





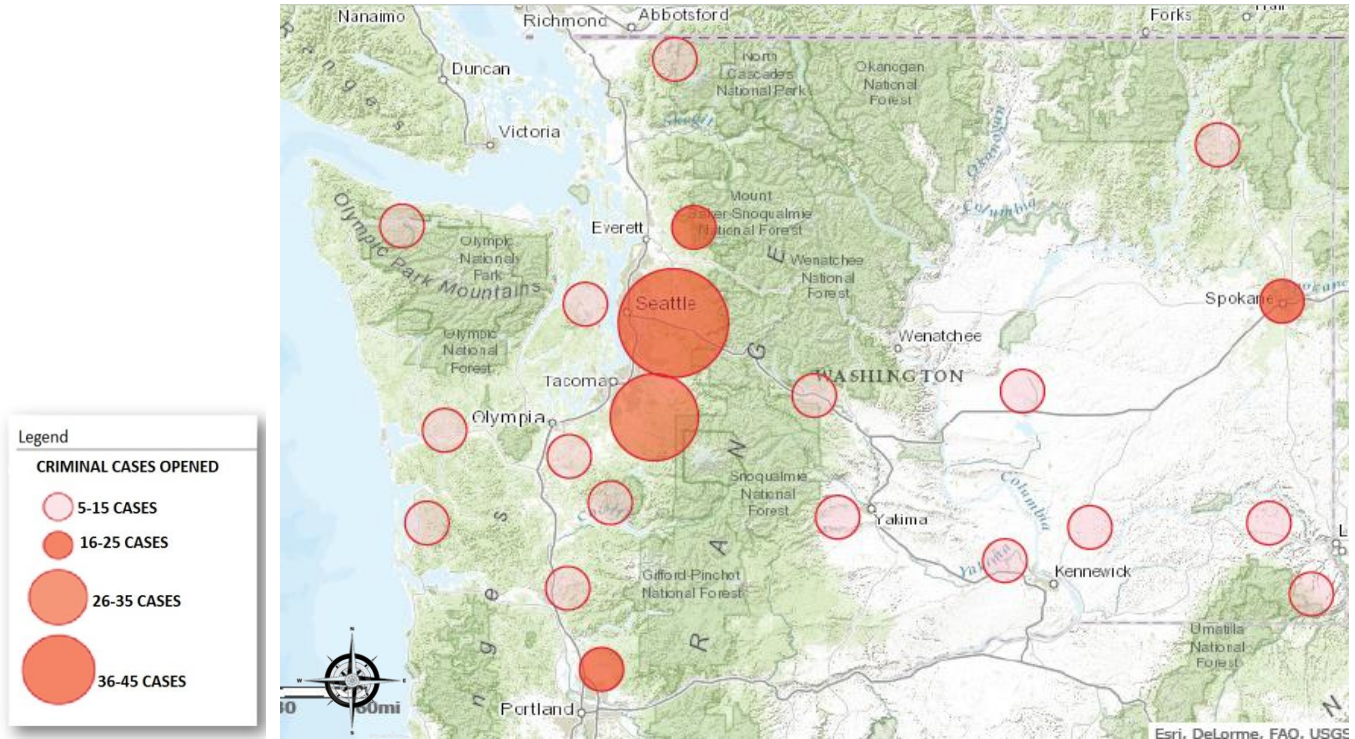
# SIU Impact

January 1, 2012 to December 31, 2014

Opened criminal cases	<b>141</b>
Criminal cases submitted to prosecutor	<b>61</b>
Criminal cases declined by prosecutor	<b>16</b>
Criminal cases closed	<b>111</b>
Criminal cases adjudicated	<b>35</b>

*\*Some cases remain open or are pending a decision by prosecutors.*

# Criminal cases opened in Washington



# Number of cases referred for prosecution

Once a criminal case has been submitted to a prosecutor, it is logged into the National Incident Based Reporting System (NIBRS). NIBRS is an incident-based reporting system used by U.S. law enforcement agencies for collecting and reporting crime data. From January 1, 2012 to December 31, 2014, SIU:

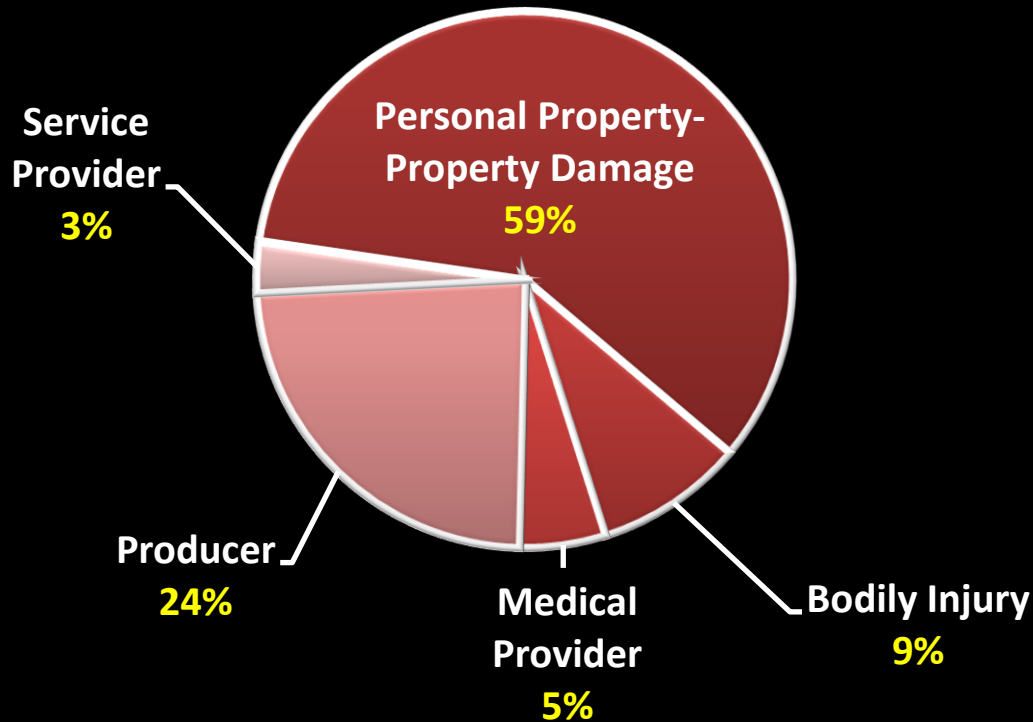
- Investigated 141 criminal cases. \*
- 61 cases were submitted to 7 prosecutors.
  - 16 of the 61 criminal cases were declined for charges.
  - 35 of the 61 criminal cases have been adjudicated in the criminal justice system.
  - The 35 criminal cases that were adjudicated in 10 counties involved 20 victim insurance companies.

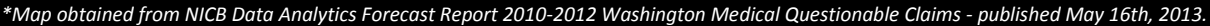
In addition to focused attention on data trends with medical provider and bodily injury claims, the SIU continues to initiate and conduct criminal investigations of individuals and organizations that engage in insurance fraud relating to personal property and property damage, service provider, producer, and other types of losses claimed.

*\*Some cases remain open or are pending a decision by prosecutors.*

# SIU Criminal Cases Opened - by loss types

January 1, 2012 to December 31, 2014





## Number of convictions obtained

Convictions	RCW	Count
False Insurance Claims in Excess of \$1,500	48.30.230	22
Theft 1	9A.56.030(1)	11
Forgery	9A.60.020	6
Theft 2	9A.56.040(1)	4
Criminal Conspiracy	9A.28.040	2
Perjury	9A.28.020(3)(c)	2
Money Laundering	9A.83.020	2
Criminal Attempt-Original Crime-Gross Misdemeanor	9A.28.020(3)(e)	1
Criminal Attempt-Original Class C Felony	9A.28.020(3)(d)	1
Obtaining a Signature by Deception or Duress	9A.60.030	1
Making a False or Misleading Statement to a Public Servant	9A.76.175	1
Unauthorized Insurer Prohibited	48.15.020	1
<b>Total convictions</b>		<b>54</b>



*\*Photo courtesy of the Coalition Against Insurance Fraud.*

# SIU Impact

January 1, 2012 to December 31, 2014

EXPOSURE	ACTUAL LOSS	IMMEDIATE LOSS PREVENTED
\$3,704,132	\$2,040,740	\$417,481
PROJECTED LOSS PREVENTED	RESTITUTION	COURT COSTS
\$2,905,648	\$2,045,210	\$31,169



Immediate loss is the dollar amount of claims that the insurer paid prior to the fraud being detected. Projected loss prevented is the calculated cost of the fraud if the fraud had not been successfully detected and prosecuted.

From January 1, 2012 to December 31, 2014, SIU investigations have saved \$3.3 million in immediate and projected insurance claim payouts. The SIU's efforts resulted in over \$2 million of restitution ordered to be paid back to victim companies and \$31,169 in court costs ordered back to the judicial system.

Typically, at the time charges occur and during the judicial process, the OIC issues news releases as case updates to the public. From January 1, 2012 to December 31, 2014, the OIC's Public Affairs unit published 26 news releases and 29 blog posts about SIU cases.

### ***State vs. Kenneth Welling***



Kenneth Welling was the sole proprietor of Alpine Surgical Services and a registered Surgical Technologist. Between 2004 and 2012, Welling had billed \$7.4 million to Aetna, Cigna/Great West, HMA, Premera, and Regence insurance companies and their customers as a physician's assistant or a surgeon, which pays at a higher rate than a surgical technologist. Welling also billed under one of those titles for surgeries that did not occur. Due to the efforts of the SIU, Welling was sentenced in King County court to repay \$472,000 in restitution.

### ***State vs. Yevgenity Samsonov***



Yevgenity Samsonov, made a claim to PEMCO Insurance for a cat that allegedly died in a car accident. Samsonov sent a letter demanding \$20,000 from PEMCO. Samsonov provided false documents in support of his claim; he obtained a picture online of a random cat and submitted it to PEMCO. Due to the efforts of the SIU, Samsonov was sentenced in Pierce County court to complete 45 days of electronic home monitoring and pay \$2,250 in restitution.



IMAGE PROVIDED TO PEMCO BY SAMSONOV



IMAGE FOUND ON INTERNET



### ***State vs. Donica Santos***

In March 2012, Donica Santos claimed to her local police department that she last saw her vehicle at her residence in Pierce County. Santos stated she went to bed and did not talk to anyone or give anyone permission to use her vehicle. The vehicle was later recovered, totally burned, in Thurston County. Investigations by Traveler's Insurance and the SIU revealed from Santos' phone records that it appeared she was in Thurston County near the time the vehicle was first spotted on fire. Due to the SIU efforts, Santos plead guilty in Pierce County court and was sentenced to serve 60 days of electronic home monitoring and pay \$17,426.25 in restitution.

### ***State vs. Kevin Kolenda***



In February 2004, the OIC issued a cease and desist order against Kevin Kolenda for engaging in or transacting the business of insurance in Washington. Kolenda continued to advertise, solicit, and collect money from selling insurance policies in Washington. In addition, Kolenda sold an insurance policy for a golf tournament on June 4, 2004 in Vancouver, WA with a prize of \$50,000 should someone hit a hole-in-one. The hole-in-one was hit and Kolenda never paid the prize money. On June 14, 2010, Kolenda insured a \$25,000 hole-in-one hole at a golf tournament in Snohomish, WA. Someone hit the hole-in-one and to date, Mr. Kolenda did not pay the prize. Due to the efforts of the SIU, Kolenda was ordered by a King County judge to pay \$35,000 in restitution to the victims and served 89 days in jail.

### ***State vs. Andre Zamora***



In November 2011, Andre Zamora was in a two-car collision. The other driver was insured by USAA Insurance Co. The following day, Zamora went to Valley Medical Center with a sore back and headache. Zamora submitted \$14,857 in medical bills from Valley Medical Center Emergency Room and Valley Radiology to USAA Insurance Co. and requested reimbursement. Valley Medical Center and Valley Radiology confirmed their bills totaled \$1,621 and the amounts owed were still outstanding. USAA had paid Zamora \$5,497 for the first two medical bills Zamora submitted before they discovered the bills were fraudulent. Due to the efforts of the SIU, Zamora was sentenced by King County court to serve two months incarceration and pay \$7,119 in restitution.

### ***State vs. Bryan Robb***



In June 2012, Bryan Robb filed a \$26,569 insurance claim with American Bankers Insurance Co. (Assurant), stating his residence in Spokane had been burglarized while he and his family had been out of town for several days. Robb immediately contacted the Spokane Police Department, who took an incident report. Robb later provided digital photos of the items that were stolen, as he did not have receipts for proof of ownership. The photos were run through an exif viewer program, where the embedded metadata in the photo showed that some of the photos were taken after the date of loss. Due to the efforts of the SIU, Robb was sentenced to serve seven days in jail and \$1,000 in restitution.

### ***State vs. Fariborz Rahrovi and Edward Joseph Callow***

In 2014, The Washington State Bar Association (WSBA) informed Nationwide Insurance that claims adjuster Fariborz Romeo Rahrovi may have conspired with Seattle attorney Edward Joseph Callow to steal \$250,000 of a \$500,000 insurance settlement. Information from the WSBA indicated Callow issued a check to Rahrovi for \$135,000. Rahrovi has been fired from Nationwide and Callow was disbarred. Subsequent to an extensive criminal investigation by SIU, Callow was sentenced to 2 years in prison, and Rahrovi was sentenced to 12 months work release; both individuals were ordered to pay restitution totaling \$662,000.





**Fariborz Romeo Rahrovi**



**Edward Joseph Callow**

# Washington State Office of the Insurance Commissioner

## FACES OF FRAUD

*\*Some persons convicted of insurance fraud related crimes in 2012 to 2014.*



**CHAPMAN,**  
Candice

-False insurance  
claims in excess of  
\$1,500



**BISHOP,**  
Nancy

-Forgery  
-Theft 1



**ALEXANDER,**  
Kayah

-Forgery  
-Criminal Attempt



**DOMBROWSKI,**  
Carol

-False insurance  
claims in excess of  
\$1,500



**DUNN,**  
Laura

-Theft 1



**JAMES,**  
Michel

-Theft 2



**KASSIM,**  
Jasmine

-Theft 1



**KNOTT,**  
Cash

-Forgery  
-False Insurance  
claims in excess of  
\$1,500



**LAI ,**  
Michael

-False insurance  
claims in excess of  
\$1,500



**SOUTHERLY,**  
John

-Forgery



**TRAXLER,**  
Mark

- False insurance  
claims in excess of  
\$1,500



**WALTERS,**  
Sarah

-False insurance  
claims in excess of  
\$1,500



**WILLIAMS,**  
Sheryce  
-False Insurance  
claims in excess of  
\$1,500



**BALSZ,**  
Jenny  
-False Insurance  
claims in excess of  
\$1,500



**BLOSSER,**  
Bernard  
-False Insurance  
claims in excess of  
\$1,500



**FELURE,**  
Nicholas  
-False Insurance  
claims in excess of  
\$1,500



**GOSS,**  
Julie  
-Forgery  
-Theft 1



**PATRICK,**  
Danielle  
-False Insurance  
claims in excess of  
\$1,500



**KWANT,**  
Larry  
-Identity Theft  
-False Insurance  
claims in excess of  
\$1,500



**SCRIBNER,**  
Keith  
-Theft 2  
-False Insurance  
claims in excess of  
\$1,500



**THOMAS,**  
Cassk  
-False Insurance  
claims in excess of  
\$1,500



**TOURAY,**  
Katrina  
-Criminal Attempt



**DEEN,**  
Allen  
-Criminal Attempt  
-False Insurance  
claims in excess of  
\$1,500



**LARSEN,**  
Christine  
-False Insurance  
claims in excess of  
\$1,500



**KARTHAUSER,**  
Kaitlyn  
-False Insurance  
claims in excess of  
\$1,500.  
-Perjury 2  
-Making False or  
misleading  
statement to public  
servant



**BRONGIL,**  
Sherri  
-False Insurance  
claims in excess of  
\$1,500



*\* Superior Court of Washington for King County – Suspect submitting guilty plea.*

## Current trends

- Significant increase in the number of referrals involving medical provider and bodily injury losses, averaging 38 per month.
- A continued variety of methods used for victimizing insurance companies.
- An increase in insurance fraud affecting multiple jurisdictions.

# Summary

From January 1, 2012 to December 31, 2014, the SIU has received a total of 5,745 referrals. SIU detectives have investigated 141 criminal cases and submitted 61 to a prosecutor for prosecution.

The majority of the criminal case investigations are from King, Pierce, Snohomish, Clark and Spokane counties. A total of 54 search warrants have been served for the criminal investigations in these counties involving personal property and property damage, producer, bodily injury and medical provider related losses.

As a result of the SIU's work, over \$2 million dollars of restitution has been ordered to be repaid to insurance companies and \$3.3 million has been saved by disrupting fraud. The SIU serves a valuable role for Washington consumers and insurers through its investigations and deterring fraudulent claims. This helps prevent increases in auto, health, property and casualty insurance premiums.



INSURANCE FRAUD.  
THE CRIME YOU PAY FOR.

[www.insurance.wa.gov](http://www.insurance.wa.gov)

*\*Photo courtesy of the Coalition Against Insurance Fraud.*