

Attorney General's Report

Concerning the Colorado Department of Law
Insurance Fraud Unit - 2010 Annual Report



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The Insurance Fraud Unit (“Unit”) is part of the Department of Law’s Financial Fraud Unit within the Criminal Justice Section of the office. The Unit investigates and prosecutes criminal offenses relating to insurance fraud. Typical cases involve theft and forgeries. The Unit consists of two attorneys, four investigators, one paralegal, and half of the time of one administrative assistant.

During 2010, the Unit processed 974 referrals of potential criminal cases relating to insurance fraud. Most of these referrals were made to the Unit by the Colorado Division of Insurance. Other sources of referrals were law enforcement agencies and the National Insurance Crime Bureau (NICB). The number of referrals from the Division of Insurance increased by 54% in 2010, up from 527 in 2009, 337 in 2008 and 272 in 2007. The poor economy in the past few years has likely added to fraudulent insurance claims.

The Unit continues to work larger, more complex cases both internally and in conjunction with other law enforcement agencies. In 2010, the Unit conducted several large investigations in the statewide grand jury and concluded investigations that began in 2009.

In 2010, the Unit opened 39 new investigations. The Unit filed a total of 28 new cases in Colorado courts. The cases were filed in Adams, Arapahoe, Denver, Jefferson and Montrose Counties. Nineteen of these cases were initiated by indictments issued by the Colorado Statewide Grand Jury; the other 9 were direct filed by Complaint and Information.

During 2010, one case went to trial, 11 cases were resolved through plea negotiations and one case was dismissed by this office. Noteworthy cases include the following:

The one trial was held in Grand Junction and involved Camden Fortney, owner of Camden Motors in Grand Junction, who paid bribes to Terry Robinson, an independent adjuster for Colorado Casualty, and to Cathy Cross, an employee of Colorado Casualty. Fortney paid the bribes to encourage Robinson and Cross to make salvage vehicles available for him to purchase without salvage titles. A vehicle is considered “salvage” when the cost to repair the vehicle exceeds its value. These vehicles are deemed to be unsafe to operate. The vehicles may be rebuilt and if they pass inspection they may be safely operated, but their value is significantly less than a non-rebuilt vehicle. Generally, financing and insurance cannot be obtained for rebuilt vehicles. The benefit to Fortney of buying salvage vehicles without salvage titles is that he can rebuild and sell the vehicles at a much greater profit than if they had been properly titled. Victims at trial testified that they had no idea how unsafe their vehicles were to drive. It was an emotional case. Fortney was convicted of 16 counts of commercial bribery, 3 counts of theft, and 2 counts of conspiracy. He was sentenced to 53 years in the Department of Corrections and a restitution order of \$584,488.64.

In May of 2010, the Unit indicted 12 individuals for their involvement in a staged/fictitious auto accident ring. 8 of the defendants were charged with violation of the Colorado’s Organized Crime Control Act, a class 2 felony. Most of these individuals were involved (some for at least a

decade) in purchasing salvaged cars which were then allegedly repaired by a company that one of the defendant's owned and then titled in a straw man's name so they could create or claim damage from staged accidents in order to defraud insurance companies into paying false damages. Many of the cars were used in several staged accidents, but they were always re-titled and insured with a different company for subsequent fraudulent claims. Over 150 accidents were investigated; the Statewide Grand Jury indicted this group for over 30 fraudulent accidents which often involved more than one false claim per accident. More than 20 insurance companies were defrauded by this group. They are all current pending cases in Arapahoe District Court. Several of the defendants have fled to Lebanon and Saudi Arabia.

The unit also indicted four individuals in relation to a prescription fraud ring. A nurse who had lost his license to practice nursing got a nursing job at a pediatric doctor's office and used the clinic's prescription pads to forge controlled substance prescriptions for himself and others. This nurse became the nursing supervisor and he enabled other nurses in the practice to call in fraudulent prescriptions for him and others. He pled guilty to a class 5 felony of obtaining a controlled substance by fraud and deceit.

During 2010, the Unit supervised the restitution payments of 54 defendants on probation for insurance fraud-related crimes. \$151,501.32 in restitution was collected from January through mid-December 2010. Additionally, the Unit achieved new restitution orders totaling \$733,149.15 and cost and fine orders totaling \$16,144.50.