

## **Securities Fraud Unit**

Colorado citizens are swindled out of millions of dollars each year through securities fraud. Securities fraud takes many forms including pyramid schemes, Ponzi schemes, oil and gas investment schemes, and “fix-and-flip” housing scams, among others. Our aging population is often specifically targeted by those seeking to perpetrate investment crimes and the resulting losses to retirement funds and life savings can be catastrophic. In addition, due to the impending explosion of baby boom generation retirements the potential for losses is ever increasing.

The Attorney General has been granted the authority to aggressively prosecute criminal violations relating to securities and securities fraud. The Office of the Attorney General is recognized statewide for its expertise on securities fraud matters and works many high profile cases. The Unit utilizes its original jurisdiction to independently investigate, charge when warranted, and prosecute securities violations statewide. The Securities Fraud Unit frequently utilizes the Statewide Grand Jury for these sophisticated and complex cases. The Securities Fraud Unit closely collaborates with the Colorado Division of Securities and Colorado law enforcement agencies to prosecute these crimes. The Unit is made up of two attorneys, two investigators, a paralegal and half of the time of an administrative assistant.

The Unit obtained guilty pleas from six defendants who committed securities fraud in 2013. The convictions resulted in restitution orders totaling \$4,040,002 on behalf of 57 victims. In all but one case, the defendant charged was convicted of one or more charges of class-three felony securities fraud. Most defendants were sentenced to the Colorado Department of Corrections.

In 2013, the Unit took on investigations forwarded from the Division of Securities and other agencies. In addition, several internal Securities Fraud Unit investigations were initiated based on citizen reports. Investigators also continued working on investigations and cases that continued from the prior year. Investigators reviewed a total of 93 complaints derived from multiple sources, including law enforcement agencies, citizens, and a complaint website that investigators and attorneys ultimately referred to other sources or determined did not warrant further formal investigations.

Noteworthy cases prosecuted by the Securities Fraud Unit in 2013 include:

**Clinton Fraley** worked for several investment companies and then started his own investment firm called “Wealth by Design, Inc.” Fraley solicited friends and acquaintances he had developed to invest with this new firm. Without authorization, Fraley requested redemption of retirement and other investment accounts of four clients from a mutual fund company where the funds were held. He then physically intercepted the redemption checks at the homes of his clients and proceeded to forge these checks. He converted over \$500,000 of client money for his own use such as to purchase a townhome and an interest in an airplane. Fraley was convicted of securities fraud and was sentenced to 12 years in the Department of Corrections.

**Martin Hutchison** solicited investors for real estate purchases, collecting over one million dollars over approximately five years. Hutchison met most investors through a church connection and told them that he would use their investment funds to purchase distressed homes,

make needed repairs and improvements on those homes, and then resell them at a substantial profit. Hutcheson used the vast majority of the collected money for personal expenditures, including renovations to his own residence. Hutcheson pleaded guilty to two counts of Securities Fraud and agreed to pay restitution of \$1,076,718.11. He was sentenced on April 2, 2013, to twelve years in the Department of Corrections.

In order to ensure that restitution is made regularly to victims of securities fraud, the Unit tracks restitution that is paid into various court registries throughout the state. The Unit tracked restitution payments on behalf of 2,553 victims during 2013. During this time over \$108,936.77 was actually collected by the courts on behalf of victims.

## **Insurance Fraud Unit**

Colorado residents pay many millions of dollars annually in insurance premiums. When insurance fraud in its many varied forms occurs, those costs are not only borne by the insurance companies but they are passed on to Colorado citizens in the form of higher premiums and insurance costs. Typical cases involve staged accidents, theft of premiums, fraudulent claims, contractor fraud and overbilling for services. The Insurance Fraud Unit has been tasked with the investigation and vigorous prosecution of criminal offenses relating to insurance fraud. Charges often involve crimes such as theft, forgery, identity theft, and in some instances, racketeering. The Unit now consists of four attorneys, six investigators, one full time paralegal, one half time paralegal, and half of the time of an administrative assistant. This Unit is uniquely situated to handle insurance fraud cases and our staff is highly regarded statewide due to their expertise in this area. Staff of the Insurance Fraud Unit share their expertise in this arena and provide assistance to other investigators and law enforcement throughout the state.

During 2013, the Unit continued to see a dramatic increase in referrals. In 2013 there were 1717 referrals of potential criminal cases relating to insurance fraud. In 2012 there were 1385 referrals. Most of these 2013 referrals were made to the Unit by the Colorado Division of Insurance and the National Insurance Crime Bureau (NICB). In addition, the Unit investigated and responded to a number of citizen complaints as well. The Unit continues to work larger, more complex cases both internally and in conjunction with other law enforcement agencies. In 2013, the Unit conducted several large and complex investigations in the Statewide Grand Jury and obtained grand jury indictments. The Unit also concluded investigations in the Grand Jury that began the year prior.

In 2013, the Unit opened 147 new investigations, after screening all of the case referrals to determine which cases had potential for verifiable criminal activity. The Unit filed a total of 51 new felony criminal cases in Colorado courts by complaint or by indictment. Cases were filed in Adams, Arapahoe, Denver, El Paso, Jefferson, Mesa, Montrose, Pueblo, and Weld counties. The Unit recorded the following categories for referrals: 763 auto, 3 annuity, 153 accident and health, 23 life insurance, 353 homeowners, 69 workers compensation, 5 commercial, 40 commercial auto, 1 title, 48 agent/broker, and 259 others.

Noteworthy cases for 2013 include the following:

**Chiniee Carter** was indicted by the Statewide Grand Jury on March 1, 2013, for violation of the Colorado Organized Crime Control Act, Theft and Forgery. The Defendant ran a sophisticated criminal enterprise built around the submission of false insurance claims and forged documents. One common scheme involved Ms. Carter reporting fictitious accidents to insurance companies then submitting forged hospital bills and requesting reimbursement. On the date of the alleged accident, Ms. Carter would take her children to the emergency room and request a medical evaluation by saying they were involved in a crash. Ms. Carter would then alter the medical billing invoices to substantially inflate the cost of treatment and submit the altered documents to various insurance companies. Because these claims involved injuries to children, the insurance companies would often expedite payments for the medical bills. After being confronted about these activities by law enforcement Ms. Carter recruited several other

people to submit fraudulent claims on her behalf. In total, Ms. Carter submitted over twenty fraudulent insurance claims and stole approximately \$200,000 through these deceptive practices.

**Brionna Nguyen** was indicted by the Statewide Grand Jury on multiple counts of insurance fraud spanning 17 years. Nguyen was involved in over nine rear end motor vehicle accidents between 1994 and 2011, for which she filed fraudulent insurance claims. Nguyen claimed and received treatment for soft tissue injuries, often denying to insurance providers or medical professionals that she had any prior accidents or injuries. She also repeatedly claimed and was paid for the same motor vehicle damage paid for in previous accident claims. Nguyen would often set up the accidents to occur, for example by stopping at the bottom of an icy hill during a snowstorm. Insurance companies paid over \$250,000 to or on behalf of Nguyen as a result of the fraudulent claims. On February 28, 2014 a jury convicted Nguyen of 21 counts of Theft and Forgery, including four Class 3 felonies.

The Unit continues to see a large number of staged accidents of motor vehicles. In terms of loss, The Unit has been attempting to coordinate the investigations of staged accident rings with the dozens of insurance companies affected. By also collaborating with the National Insurance Crime Bureau, the Unit has been able to leverage its unique expertise to initiate investigations based upon analysis of crime patterns and the assimilation of insurance data. Many times insurance crimes goes unnoticed by individual insurance companies because the claim losses are spread out among different companies. The Insurance Fraud Unit is changing that.

During 2013, the Unit supervised the restitution payments of 52 defendants on probation for insurance fraud-related crimes. \$293,655.15 in restitution was collected in 2013. Additionally, the Unit achieved new restitution orders totaling \$3,395,207.21.