

OFFICE OF ATTORNEY GENERAL

**INSURANCE FRAUD SECTION**
TOM CORBETT • ATTORNEY GENERAL **NEWSLETTER**

Agent Charged with Stealing Nearly \$137,000 from Clients



John McDonough, a former PA insurance producer who operated The McDonough Agency, was arrested in York County on April 9, 2008, on charges of Insurance Fraud and Theft in a case referred to the OAG Insurance Fraud Section by the Pa. Insurance Department after the Department determined that McDonough allegedly kept premium funds instead of using the money to purchase insurance for a local construction firm. Our investigation revealed that McDonough allegedly also retained premium money for a number of other businesses and a civic group.

According to the Criminal Complaint, McDonough was paid directly by some clients and arranged for financing for other clients, to help cover larger insurance premiums. The Complaint further states McDonough deposited the insurance payments into his own business account, rather than forwarding the money to the insurance companies and then used the funds to pay his own business and personal expenses. Insurance policies were never written for some clients while the policies for others were eventually cancelled by the insurance companies because of nonpayment. McDonough allegedly continued to act as an insurance agent even after his insurance license had been revoked by the Pa. Department of Insurance. McDonough has been charged with one count of Insurance Fraud (F3) and one count of Theft by Failure to Make Required Disposition of Funds Received (F3).

New Jersey Man Sentenced to Jail in PA for Workers' Compensation Fraud



Michael Mortorano has been sentenced by a Berks County Judge to 1 to 23 months in prison, 6 months house arrest/electronic monitoring, 7 years probation, and ordered to pay a fine of \$50,000 and restitution of \$493,080.22 after pleading guilty to Failure to Insure Workers' Compensation, Workers' Compensation Insurance Fraud and Theft charges.

Mortorano and his company, Merchandise Movers, Inc., were arrested on March 15, 2007, following an investigation by the Attorney General's Insurance Fraud Section. Mortorano, the principal operator of Merchandise Movers, Inc., in an elaborate scheme that spanned over five years, established and dissolved a series of "shell" corporations in an effort to hide that Merchandise Movers was employing PA workers and therefore was responsible for obtaining workers' compensation insurance in PA. In utilizing these shell corporations, Mortorano lied to the State Workers' Insurance Fund about the number of employees, their job classifications and payroll in order to obtain PA workers' compensation policies at minimal cost. During a period of time of no coverage, a truck driver was seriously injured. In an attempt to avoid responsibility for the claim, Mortorano lied to the Travelers Insurance Company stating that the truck driver was temporarily assigned to the PA facility, but worked primarily in New Jersey.



ARRESTS

- On April 23, 2008, Willie Ballard and Estela Perez were arrested in Allegheny County on charges of making false auto insurance claims. According to the Criminal Complaint, Ballard and Perez greatly inflated damages and injuries related with claims filed with Progressive Insurance, AIG Insurance, Farmers Insurance, Donegal Mutual Insurance, Infinity Property & Casualty Insurance and Nationwide Insurance Companies. Ballard and Perez allegedly tried to collect twice for some of the damages and completely fabricated other accidents. The investigation revealed that eleven of the accidents were due to crashing into stationary objects, including a wall, a parked car, stairs, a utility pole, engine parts scattered on the road and six incidents of crashing into a tree. The Complaint further alleges there were discrepancies in the number of visits and prescriptions for medical treatment of their injuries. Ballard and Perez have both been charged with five counts of Insurance Fraud (F3), four counts of Theft by Deception (F3/M1), one count of Criminal Attempt (F3) and one count of Criminal Conspiracy (F3).
- On April 24, 2008, Daniel Morales was arrested in Lackawanna County. According to the Criminal Complaint, Morales obtained an automobile policy with the Progressive Insurance Company for his Dodge Ram Pickup and two days later submitted a claim for damages resulting from an accident. It is alleged that Morales misrepresented the date of the accident to Progressive to obtain coverage for the damages. Morales has been charged with one count of Insurance Fraud (F3) and one count of Criminal Attempt/Theft by Deception (F3).

- Daniel Lynch was arrested in Chester County on April 21, 2008. According to the Criminal Complaint, Lynch filed a homeowner's claim with the Allstate Insurance Company stating that his roof was damaged in 2006 as a result of a wind storm. The Criminal Complaint further states that the roof was twenty-five years old and the shingles were falling off. It is alleged Lynch obtained an estimate in 2005 to have his roof repaired for the same damages he claimed were the result of wind damage in 2006. Lynch has been charged with one count of Insurance Fraud (F3) and one count of Criminal Attempt/Theft by Deception (F3).
- On April 1, 2008, Leonard Hardy was arrested in Bucks County. According to the Criminal Complaint, Hardy reported to the police that his vehicle had been stolen. Hardy subsequently filed a claim with the West American Insurance Company for the damages to his vehicle representing that the vehicle had been stolen. It is alleged that Hardy was driving the vehicle at the time of the accident and fled the scene, reporting his vehicle stolen. Hardy has been charged with one count of Insurance Fraud (F3).
- Mary Carter was arrested in Beaver County on April 30, 2008. According to the Criminal Complaint, Carter submitted a claim to the State Farm Insurance Company for a burglary at her home reporting the theft of several items, including jewelry. The Complaint further states that the police executed a search warrant on her residence on the day before the alleged burglary and no jewelry was found. It is alleged that Carter sold several pieces of jewelry to a pawn shop prior to her claim. Carter has been charged with one count of Insurance Fraud (F3) and one count of Criminal Attempt/Theft by Deception (F3).
- On April 28, 2008, Patrick Reckart was arrested in Blair County. According to the Criminal Complaint, Reckart injured his lower

back while working and was receiving Workers' Compensation Benefits from the Eastern Alliance Insurance Company. It is alleged that Reckart altered the work status on the doctor's forms from returning to light duty to not returning to any work until a future date. Reckart has been charged with one count of Workers' Compensation Insurance Fraud (F3), one count of Tampering with Records or Identification (M1) and one count of Theft by Deception (M1).

- Kevin Brodowski was arrested in Montgomery County on April 29, 2008. According to the Criminal Complaint, Brodowski reported to the Progressive Insurance Company that his truck was involved in an accident while being driven by Jamie Fowler. The Complaint further states that Fowler was in prison on the date of the accident and could not have been operating the vehicle at that time. It is alleged that Brodowski, whose license was suspended as a result of a DUI conviction and was an excluded driver on the Progressive



policy, was driving the vehicle. Brodowski has been charged with one count of Insurance Fraud (F3), one count of Criminal Attempt/Theft by Deception (M1) and one count of Driving With Suspended License (S).

- On April 30, 2008, James and Lorraine Perillo were arrested in Northampton County. According to the Criminal Complaint, Lorraine was involved in an accident in a parking lot with an unoccupied vehicle. It is alleged that Lorraine, an excluded driver under the policy, reported to the Progressive Insurance Company that James was the driver at the time of the accident. It is further alleged that James provided a supporting statement to Progressive also, stating that he was the driver. James and Lorraine Perillo have each been charged with two counts of Insurance Fraud (F3) and one count of Criminal Attempt/Theft by Deception (M1).



CONVICTIONS

- On April 2, 2008, Kimberly Disbrow was found guilty following a jury trial of two counts of Insurance Fraud (F3) and one count of Criminal Attempt/Theft by Deception (M2) in Franklin County. Disbrow collided with an unoccupied, parked car and falsely stated to the Progressive Insurance Company that her husband was driving at the time of the accident. Our investigation revealed that Disbrow was an excluded driver on the policy due to a suspended license for numerous traffic violations. Disbrow was sentenced to serve 14 days to 35 months incarceration and ordered to pay a fine of \$450, restitution and all court costs. George Disbrow had previously received ARD.

- Chastity Hamill entered an open guilty plea to one count of Workers' Compensation Insurance Fraud (F3) in Monroe County. The investigation revealed that Hamill collected \$9,125.26 in Workers Compensation benefits from the Penn National Insurance Company while working full time for the Pocono Mountain School District. The investigation also revealed that Hamill returned forms verifying that her work status had not changed. On April 17, 2008, Hamill was sentenced to serve 4 to 23 months incarceration and was ordered to pay restitution and all court costs.

- On April 29, 2008, Maurice and David Turner entered guilty pleas to Criminal Attempt/Theft by Deception (M1) and False Swearing (M2) respectively in Chester County. Maurice filed a fraudulent bodily injury claim with the Bristol West Insurance Company stating that he was a passenger in his brother's car when they were involved in an accident. David falsely testified in support of Maurice's claim. Our investigation revealed that Maurice was not a passenger in the



vehicle at the time of the accident. Maurice was sentenced to serve 3 to 6 months incarceration, 12 months consecutive probation and ordered to pay a fine of \$300 and all court costs. David was sentenced to serve 2 years probation, perform 75 hours of community service and ordered to pay a fine of \$500 and all court costs.

- Crystal Lowery entered a negotiated guilty plea to one count of Insurance Fraud (F3) in Philadelphia County. Lowery was a passenger on a casino tour bus, insured by Lancer Insurance Company, when it was struck in a staged hit and run accident. Although there were only 21 passengers on the bus, 29 persons filed claims as passengers for injuries. Our investigation revealed that a number of actual passengers were aware in advance that the bus was going to be hit and had purchased tickets in order to file fraudulent claims, others denied knowing in advance but admitted filing fraudulent claims. Lancer, as well as Allstate, Rutgers, and American Independent Insurance Companies received bills for medical treatment provided to these passengers. Lowery was one of the passengers who purchased a ticket knowing that the bus was going to get hit in order to submit a false claim. Lowery was sentenced to serve 2 years probation, perform 100 hours of community service and ordered to pay restitution and all court costs.

- On April 4, 2008, Dori Phillips entered a negotiated guilty plea to one count of Insurance Fraud (F3) in Lycoming County. Following an accident involving her uninsured Blazer, Phillips contacted her insurance agent and applied for reinstatement of her lapsed policy with the Progressive Insurance Company and signed a "Statement of No Loss" form falsely stating that her vehicle had not been involved in any loss and had not been damaged during the lapse period. Once her policy was reinstated, Phillips filed an accident claim. Phillips was sentenced to serve 2 years Intermediate Punishment with the first 30 days under home



confinement, ordered to perform 50 hours of community service and was ordered to pay a fine of \$500 and all court costs.

- Fernando DeJesus entered a negotiated guilty plea to one count of Criminal Attempt/Theft by Deception (M1) in Elk County on April 7, 2008. DeJesus submitted a claim for a shattered windshield to the Nicklas Insurance Group. DeJesus was advised that his policy with the Donegal Companies had no comprehensive coverage and the loss would not be covered. DeJesus subsequently added comprehensive coverage and then filed a claim directly with Donegal Companies for the same damage to his vehicle misrepresenting the date of the loss. DeJesus was sentenced to serve 2 years probation, perform 50 hours of community service and ordered to pay a fine of \$300 and all court costs.



- On April 17, 2008, Rebecca Ray entered a negotiated guilty plea to two counts of Insurance Fraud (F3) in Montgomery County. Ray submitted two false claims to the Met Life Auto & Home Insurance Company under her grandmother's name. In the first claim, Ray stated that the vehicle had been involved in a hit and run accident. In the second claim, Ray stated that the vehicle had been stolen. Our investigation revealed that in the first claim, Ray's vehicle had fled the scene after being involved in an accident. In the second claim, Ray had given her boyfriend permission to use the vehicle and he had been involved in an accident. Ray was sentenced to serve 2 years probation and was ordered to pay restitution, a fine of \$500 and all court costs.

- Jeanetta Hines-Mabry entered an open guilty plea to two counts of Insurance Fraud (F3) and one count of Criminal Attempt/Theft by Deception (M1) in Montgomery County on April 23, 2008. Mabry submitted a fraudulent receipt from Helzburg



Jewelers in support of a claim with the Allstate Insurance Company for a stolen bracelet. Mabry was sentenced to serve 2 years probation and was ordered to pay a fine of \$500 and all court costs.

- On April 9, 2008, Nguyen Ly entered a negotiated guilty plea to one count of Failure to Carry Workers' Compensation Insurance (M3) in Philadelphia County. Ly operated Global Enterprises from April 20, 2004 until August 31, 2004 without Workers' Compensation insurance. Ly was sentenced to serve 1 year probation and was ordered to pay a \$500 fine and all court costs.

JOINT INVESTIGATION/PROSECUTION WITH U.S. ATTORNEY'S OFFICE

On April 25, 2008, Anthony Grejda, owner/pharmacist, and Lisa St. Peter, president, of TDI Pharmacy, were sentenced to prison following a joint investigation with the FBI and US Attorney's Office, initiated by the Attorney General's Insurance Fraud and Medicaid Fraud Sections. The investigation revealed that TDI Pharmacy was dispensing and billing medications without a physician's prescription and then billing for large quantities of medication that had not been dispensed, involving numerous private insurers and Medicaid programs from various states. Grejda was sentenced to serve 57 months incarceration, 3 years supervised release, ordered to pay \$2,393,309.98 in restitution (over \$2 million of which goes to private insurers) and a fine of \$15,000. St. Peter was sentenced to serve 20 months incarceration, 3 years supervised release and ordered to pay restitution joint and several with Grejda.

(ARD) DISPOSITIONS

During the month of April, four additional defendants received Accelerated Rehabilitative Disposition (ARD). Defendants who receive ARD are typically sentenced to 2 years probation, 50 hours community service, and ordered to pay full restitution, all ARD costs and all court costs.

PENNSYLVANIA FRAUD REPORTING REQUIREMENTS

The insurance industry has a corporate responsibility to report fraud. When a reasonable basis exists that insurance fraud has occurred, you should report that suspected fraud to a criminal law enforcement agency.

The Insurance Department has issued guidelines setting forth your responsibility for reporting fraud.

Simply reporting fraud to an information system serving the industry does not meet your obligation. In Pennsylvania, fraud must be reported to a Federal, State or local law enforcement agency.

The Office of Attorney General's Insurance Fraud Section is the largest law enforcement entity in Pennsylvania vested with the specific authority to investigate and prosecute insurance fraud.

Insurance Fraud is a serious and very costly crime. As corporate citizens, it is your responsibility and obligation to assist law enforcement in combating this crime. Together, we can reduce the economic and societal impact of this costly crime.

Report suspected fraud to the Pennsylvania Office of Attorney General online at:

www.attorneygeneral.gov

Additional resources available on our website include:

- Detailed instructions and tips for referring to law enforcement
- Explanation of the basic elements of the offense of insurance fraud
- Pennsylvania Insurance Fraud Statutes and information on how to obtain fraud training materials
- Monthly newsletter that reports on our recent arrests and convictions