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PRESS STATEMENT
FOR IMMEDIATE RELEASE

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Failed insurance fraud schemes result in criminal prosecutions

HONOLULU – September 11, 2002 – Insurance Commissioner Wayne Metcalf today announced the criminal prosecution of three individuals for Insurance Fraud.

“The Insurance Division’s Fraud Investigation Branch has investigated and successfully prosecuted three people for auto insurance fraud and related offenses. The court has ordered these individuals to pay fines and restitution totaling \$25,878.56.

Based upon a 1997 report by the Coalition Against Insurance Fraud, it is estimated that the average Hawaii family pays an additional \$164.56 per year because of auto insurance fraud. “By vigorously prosecuting fraud cases, we hope to deter others from engaging in this illegal activity and lessen the amount that honest, law-abiding motorists have to cough up for auto insurance,” Metcalf stated.

Former local jeweler **Dale G. Cripps**, age 50, pled No Contest to Insurance Fraud on April 23, 2002. As part of his insurance fraud scheme, Cripps falsely reported to Progressive Insurance Company that his 1970 Jaguar, insured for \$18,700, was stolen from a used car lot. Subsequent investigation revealed that after experiencing difficulty in selling his vehicle, Cripps hired someone to dispose of the vehicle so that he could obtain insurance proceeds from Progressive. Cripps’ scheme was uncovered when the individual he hired reported the fraudulent scheme to the Honolulu Police Department. Subsequently, the matter was investigated by both the Honolulu Police Department and the Insurance Fraud Investigation Branch. During the investigation the

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informant turned the Jaguar over to the State of Hawaii as evidence then falsely reported to Cripps that he had dumped the vehicle into the ocean off of Kaena Point. The informant also recorded conversations between himself and Cripps using a hidden body recorder. Progressive did not pay Cripps any money on his claim. On July 3, 2002, Cripps was sentenced to pay restitution to Progressive in the amount of \$1,073.12 for time spent processing the fraudulent claim, paid fines to the State totaling \$7,600 and was ordered to work fulltime or attend educational or vocational training. The State has seized the Jaguar for forfeiture.

Barbara G. Paladino, age 49, was sentenced on July 9, 2002 for Insurance Fraud and Theft in the First Degree. Paladino, formerly a flight attendant with United Airlines, falsely reported to GEICO Insurance Company that her 1995 Lexus SC 400 was stolen from the United Airlines employee parking lot at the Honolulu Airport.

Subsequent investigation revealed that after having difficulty in making payments on her vehicle, Paladino asked a friend to dispose of her Lexus while she was out of the country for a period of one week, working on a flight to Australia. Before leaving the State, Paladino provided her friend with an access key to the employee parking lot so that he could remove her Lexus. Upon her return to Hawaii, Paladino falsely reported to GEICO that her vehicle had been stolen. GEICO then paid Paladino \$3,006.25 and paid American Airlines credit union \$25,210.25 for the balance of Paladino's car loan.

Subsequently, Paladino's friend revealed the fraud scheme and location of the vehicle to GEICO. GEICO referred the matter to the Insurance Fraud Investigation Branch and as a result of a successful investigation, Paladino, who had relocated to California, was ordered to return to Hawaii to face criminal charges. On July 9, 2002 the court ordered Paladino to pay restitution to GEICO in the amount of \$14,606.44 for the net loss suffered by GEICO after the sale of the Lexus and for expenses incurred in the processing of Paladino's claim. Paladino was also ordered to pay a fine of \$200 to the State and work full time or attend educational/vocational training, and obtain mental health and substance abuse treatment.

Majid Biabani, age 42, was also sentenced for committing Insurance Fraud. Biabani filed a false claim with Liberty Mutual Insurance Company for total disability and

wage loss benefits after being involved in a motor vehicle accident in February 1998. For a period of nine months Biabani committed fraud by receiving wage loss benefits while working as a used car salesman and a taxi cab driver. Biabani pled no contest and was sentenced on July 16, 2002. The court ordered Biabani to pay \$2,149 in restitution for no fault wages paid, serve one day in jail with credit for time already served, pay fines totaling \$250, work full time and perform 200 hours of community service.

Insurance companies are not the only victims of this crime. Auto insurance fraud costs everyone money in the form of higher premiums. Anyone who would like to report a suspected case of auto insurance fraud is encouraged to call the Insurance Fraud Hotline at (808) 587-7416. If you live on a neighbor island please call one of the following toll free numbers and ask for extension 7-7416: Hawaii 974-4000, Maui 984-2400, Kauai 274-3141 and Molokai/Lanai 1-800-468-4644.

The Hawaii Insurance Division oversees the insurance industry in Hawaii; issues licenses; examines the fiscal condition of Hawaii-based companies; reviews rate and policy filings; and investigates insurance related complaints and prosecutes motor vehicle insurance fraud cases.

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