

## THE CASE OF THE BOGUS BROKEN BACK

... and other tales of fraud, lies, and deceit uncovered by Dallas-based investigation firm **Veracity Research Company.**

By Peter Simek  
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### THE TAKEAWAY

- 1 Fraud is a big insurance problem, no matter if it's hard or soft.
- 2 Successful investigators keep secrets.
- 3 You don't see wolves in the woods.



### VERACITY RESEARCH COMPANY CO-FOUNDER MARCUS DOYLE WON'T TELL YOU WHO HIS CLIENTS ARE. HE ALSO WON'T TELL YOU WHOM HE EMPLOYS,

where they live, or what it is exactly they do for him. Secrecy is paramount for the private investigative firm, and Marcus Doyle and partner Lance Foster's ability to keep a secret has played a significant role in their company's growth. In a little over a decade, Veracity Research Company, or VRC, based seven miles south of Denton has grown to become one of the largest insurance fraud investigative companies in the country in a high-stakes industry where confidentiality, trust, and truthfulness

are sought-after qualities—assuming potential clients know where to look.

"We don't advertise in the Yellow Pages or the phone books or any of that kind of advertisement," Doyle says, referring to the usual route private investigators take when looking for clients. "Somebody said about us one time that we are a sleeping giant. We're out there investigating this stuff but nobody knows it."

Taking care not to let any names leak out, Doyle will

tell you his more than 3,000 corporate clients, many of them Fortune 500 companies, include dozens of insurance companies, the nation's largest retailers, a number of airlines, and countless other businesses that are starting to get serious about insurance fraud—a crime the Texas Department of Insurance estimates cost consumers around \$150 billion last year, up from \$120 billion the year before.

For that expensive problem, Doyle and Foster offer a very serious solution. VRC heads a network of more than 110 full-time investigators, most of which are ex-police or military officers. The investigators dig through records and trail suspects, trying to catch defrauders in the act.

If it sounds like your romantic vision of a private eye—the stuff of pulp fiction and film noir—it can be, depending on the case. VRC has trailed criminals that range from members of organized crime to your polite and agreeable next-door neighbor who didn't think much when he bumped up his insurance claim by exaggerating an injury.

Such a broad range of subjects shines a light on just how widespread insurance fraud has become in the last decade since VRC opened in 1995. From gangsters to old ladies, VRC doesn't care who the culprit they're investigating is. Many subjects don't even consider themselves real criminals.

Regardless, they are criminals, and there are direct and indirect financial victims. What was once thought to affect only insurance companies and large businesses is now silently hurting the budgets of many families and small businesses. The Texas Department of Insurance estimates that insurance fraud costs the average family around \$950 a year in increased insurance premiums.

"Everyone thinks it's the insurance company or it's the large employer [bearing the brunt of the fraud costs]," Doyle says of the individuals his company investigates. "Over the years people just morally think that it's okay. But it is not, because a lot of the smaller businesses are being put out of business because of this."

**IT IS IMPOSSIBLE TO PAINT A PICTURE OF YOUR TYPICAL INSURANCE defrauder.** VRC deals with it all: staged auto accidents, health insurance fraud, faked deaths, murders for insurance, insurer fraud, property insurance—the list goes on. In general, the crimes can be broken into two types: hard fraud and soft fraud.

Hard fraud includes the kinds of deliberate crimes that could serve as fodder for Hollywood film scripts. Over the past few years, organized crime rings have used insurance fraud as a way of making money, running large schemes that defraud millions of dollars from insurance companies. They stage fake auto accidents, steal medical information, and flood claims offices with thousands of small claims that go undetected. Just last year in Dallas the National Insurance Crime Bureau busted a staged auto accident ring, Doyle says.

"They recruit individuals," he says. "They'll come and say, 'I need you to call the insurance company and read off this script and we'll send you to this doctor, and from there go about your way and we'll give you \$500.' Now they have doctors and attorneys involved who are all part of the ring."

VRC busted another hard fraud case a few years ago when they investigated a doctor who was billing millions of dollars worth of serv-

ices from a certain clinic. The VRC investigator may have had one of his easiest cases ever. When he showed up at the location, there wasn't any medical equipment at the facility.

"They were billing out-of-state companies and hoping that no one would ever come there to look," Doyle says. "We went to the clinic and there was a receptionist there watching TV with her son."

Soft fraud perpetrators are more difficult to catch, and the financial impact of the crime is even tougher to measure. Soft fraud may include anything from claiming you don't use your car for work purposes to get a better auto insurance rate to exaggerating an injury to get a few more weeks off from work.

"We see a huge spike in the amount of claims the day before deer season," Foster says.

That's not to say all perpetrators of soft fraud are irresponsible freeloaders. Sometimes they are simply people trapped between not being able to make ends meet and committing a seemingly harmless crime.

"In summer, some workers' comp cases will go up because kids are out of school and their parents can't afford day care, and they are claiming on-the-job injuries," Foster says. "They still get their check and get to stay home with the kids."

The Rand Institute for Civil Justice estimates that more than one-third of people hurt in auto accidents exaggerate their injuries, which trickles down to an additional \$13 to \$18 billion in insurance premiums annually. Health care fraud alone costs around \$54 billion each year, according to the Coalition Against Insurance Fraud. Doyle sums up the rationale of many of the people behind soft fraud: "It's not *that* wrong. That's what I paid premiums for."

But those premiums have been steadily rising to new heights across the entire insurance industry, taking a bite out of companies' bottom lines, and forcing more state governments and businesses to take a more proactive stance against fraud. And as more and more people are turned on to the devastating impact of fraud, VRC is capturing more and more business.

**THERE ARE PLENTY OF PRIVATE INVESTIGATORS OUT** there tracking down everything from kidnapers to cheating housewives. Like many of their competitors, when Marcus Doyle and Lance Foster started out 12 years ago they were two ex-military police investigators working for a run-of-the-mill

P.I. company. The work, Doyle insists, was decidedly less attractive than what is on TV.

"What you see is *Magnum P.I.* and *Rockford Files*, but we're not driving around in red Ferraris," he says. We operate in various types of vehicles with limousine tint and work in very, very bad

## VERACITY (vuh-ras-i-tee)

- 1. Habitual observance of truth in speech or statement; truthfulness;**
- 2. conformity to truth or fact; accuracy;**
- 3. Correctness or accuracy, as of the senses or of a scientific instrument.**
- 4. something veracious; a truth.**

## BY THE NUMBERS Insurance Fraud

**\$150 billion**

Estimated cost of insurance fraud that consumers paid in 2006

**\$120 billion**

Estimated cost in 2005

**\$950 per year**

Estimated increase in the average family's premium due to fraud

SOURCE: TEXAS DEPARTMENT OF INSURANCE



neighborhoods.”

Unlike their competitors, however, Doyle and Foster had greater aspirations than working at a local P.I. office.

“It was a pair of partners who had a vision to become the largest and most successful customer-based, client-based company in the nation,” Doyle says.

Their timing couldn’t have been more perfect. In 1994, insurance fraud was a huge problem, but a problem that often floated below the radar. Most companies either used in-house investigators or worked with local P.I.s. Doyle and Foster saw a need for a private investigation firm with a nationwide reach, one that could deliver a uniform product across several markets for clients whose business also extended across the country.

When they started, Doyle and Foster were the only investigators at VRC. When it came time for growth, rather than take out small business loans or seek financial backing, they applied for a fistful of credit cards and operated as if the two former soldiers were their own network of investigators.

“We were already scattered in two different states [Texas and Oklahoma], operating as if we were in the same place,” Doyle says. “It was not uncommon for Lance and I to go to two different states, work a case, drive 10 hours back home, have three hours’ sleep on the couch, that next morning type the reports, put on a suit and tie, and hand-deliver them. Then take another case and go again.”

They saved money by figuring out ways to cut corners. If there were a lot of claims coming out of Louisiana, they rented an apartment rather than spending scarce funds on hotels.

““  
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—MARCUS DOYLE,  
VERACITY RESEARCH  
COMPANY  
CO-FOUNDER

They stayed dedicated to the case at hand and provided their clients a quality product, even while covering four states with only two investigators. Word of mouth spread, and VRC reaped the rewards.

When the funds were finally there to invest in additional investigators, the founders drew employees from their fellow military alumni and ex-military family members, people they knew could maintain the level of service they’d established.

“Coming from a military background, everything is pretty much dress-right-dress and uniform from start to finish,” Doyle says.

Besides their personal sense of dedication, the success of VRC has much to do with the way technology has allowed them to respond to clients rapidly and produce high-quality reports in mere hours.

“I don’t think someone could do what we did today without financial backing,” Foster says.

#### IMAGES OF WOLVES COVER THE WALLS OF VRC’S HEADQUARTERS

not to mention their promotional material. Doyle says the wolf was with the company as a mascot from the start. (He likes to point out that other investigating companies adopted mascots of their own—tigers, leopards, eagles—after VRC found theirs.)

“Where does the wolf come in? Aggressive, yet stealth,” he explains. “Wolves always hunt in packs. You don’t see them in the woods.”

The wolves have a pack mentality, just like VRC. It is not just that VRC has 110 investigators across all but eight states (Doyle expects to be in all 50 within a matter of months). Technology has allowed the company to operate as if guided by a single mind, able to respond quickly to almost any situation.

“We have to be coast-to-coast,” Doyle says. “We have a company out of Alaska, and they call us and say they have something in El Paso, Texas. We say, no problem, we have a body that can do that.”

After receiving a call, an investigator can be dispatched, look into an incident, and have streaming video of the scene uploaded onto the VRC Web site for the client to review within hours. This high-tech service is only a recent addition to VRC’s product, but finding ways to harness technology to outpace the competition has been part of the company’s strategy from the get-go.

“When Lance and I first started I had the old bag phone that cost five dollars a minute,” Doyle says. “We watch what is going on [with technology] to stay one step ahead.”

VRC was the first company of its type to capture images from VHS and include them on paper reports. They were the first to switch from VHS to DVD, stream video, or have video conferencing with its agents in the field. In fact, they’re now 100 percent paperless. In addition, at the end of each day, every bit of evidence its agents gather is downloaded from the VRC headquarters to two secure, secret locations. (Secrecy, remember, is their bailiwick.)

That, alone, is tremendous comfort to a client. Valuable, possibly damning information is stored in some remote location that might be anywhere in the United States. If you are the target of an investigation who wants to destroy evidence that will turn up in court, good luck finding it. This back-up system is a big reason why VRC can now offer a client a total investigative package that eclipses anything a simple private investigation firm can do, and it uniquely positions VRC on the front lines of the war against fraud.

“We can go to any state, and we’re on so many national approve lists, if we bid on something out of Florida we can easily give them a reference list of 100 to 200 clients,” Doyle says. “If you were to start up tomorrow you would have a problem with us.” **D**