

[Long Island Company Charged in Insurance Scheme After Hurricane Sandy](#)

New York Times

A Long Island engineering company and one of its former executives were charged on Monday in a scheme to minimize insurance payments to homeowners whose residences were damaged by Hurricane Sandy in 2012. In a 50-count indictment, Eric T. Schneiderman, the New York attorney general, accused the company, GEB Hi-Rise Engineering, of Uniondale, N.Y., and Matthew Pappalardo, a former director, of forging documents and engaging in illegal business practices. The government said they had altered engineering reports that had been used to assess the structural damage to homes caused by the storm. Those reports were then submitted — without the consent of the engineers who did the work — to adjusters and federal officials who were evaluating the homeowners' flood claims, prosecutors say. As a result, dozens of flood claims may have been undervalued or even denied under the National Flood Insurance Program, a part of the Federal Emergency Management Agency. Allegations of doctored engineering documents were reported last year by The New York Times and the CBS News program "60 Minutes." But Mr. Schneiderman's office said the criminal charges were the first filed in connection with those reports. Additional charges could be forthcoming: Mr. Schneiderman said that his office had uncovered evidence of other crimes outside the state, and that those findings had been referred to the federal Justice Department. "Fraudulently altering engineering reports undermines the integrity of the entire FEMA claims process, which homeowners and families rely upon in a time of crisis," Mr. Schneiderman, a Democrat, said in a statement. "Today's charges reveal a flagrant disregard for the well-being and safety of New Yorkers, and my office will not tolerate it." Mr. Pappalardo, 38, and the company, commonly referred to as Hi-Rise, were arraigned in State Supreme Court in Nassau County before Justice Robert G. Bogle. A lawyer for Hi-Rise, Kenneth C. Murphy, said in a statement: "We are disappointed that the attorney general's office has determined to bring these charges. Nevertheless, as we have from the beginning, we steadfastly maintain that there was never any intent to defraud any homeowner with respect to the preparation of these reports, and we look forward now to an opportunity to defend these allegations." Avraham C. Moskowitz, a lawyer for Mr. Pappalardo, who left Hi-Rise in

November 2015, according to his LinkedIn profile, said in a statement: “Mr. Pappalardo has entered a plea of not guilty and adamantly denies all of the charges against him. He has done nothing wrong and looks forward to being vindicated at trial.” Mr. Schneiderman’s office opened its inquiry in December 2014, several months after being contacted by lawyers for homeowners. In February 2015, after The Times’s investigation cited email correspondence suggesting that Hi-Rise executives had sought to backdate some of the reports, state authorities raided the company’s offices. On Monday, Mr. Schneiderman’s office said that Hi-Rise employees, at the direction of Mr. Pappalardo, had fraudulently altered reports prepared by licensed professional engineers to minimize flood damage. Neither Mr. Pappalardo nor other Hi-Rise employees actually inspected the damaged buildings, and were not licensed to practice engineering in the state, authorities said. But in the course of its investigation, Mr. Schneiderman’s office also uncovered rampant problems with the National Flood Insurance Program. FEMA has already paid out more than \$8.2 billion in 130,000 cases related to Hurricane Sandy — second only to Hurricane Katrina in scope since 1978 — and state authorities issued a companion report on Monday highlighting the agency’s shortcomings and urging reforms. Among the findings, the report indicated that even the basic definition of what it means to have flood insurance was “generally misunderstood,” and that structural engineers often lacked training and certification. In response to the report, FEMA said that it was already working on some of the issues. The indictment does not address the long-held suspicion among many homeowners whose properties were battered by the storm that engineers, adjusters and out-of-state insurers colluded to minimize payouts. But court filings hint at how widespread the practice was at Hi-Rise, at least. At one point, documents show, Mr. Pappalardo instructed employees to try to convince the engineers they hired to certify that the original and final drafts were unchanged by signing a “memo of understanding” that would be later backdated by the firm. Mr. Pappalardo sensed that employees might view the request as “an intimidating and discouraging task,” so he reminded them to mix friendly charm with bottom-line reality. “Once you start to call these guys, you will see that they will be quick to cooperate,” he wrote in an email. “After all, they made a lot of money by working for us during the storm season. That and we’re pretty awesome to deal with.”