

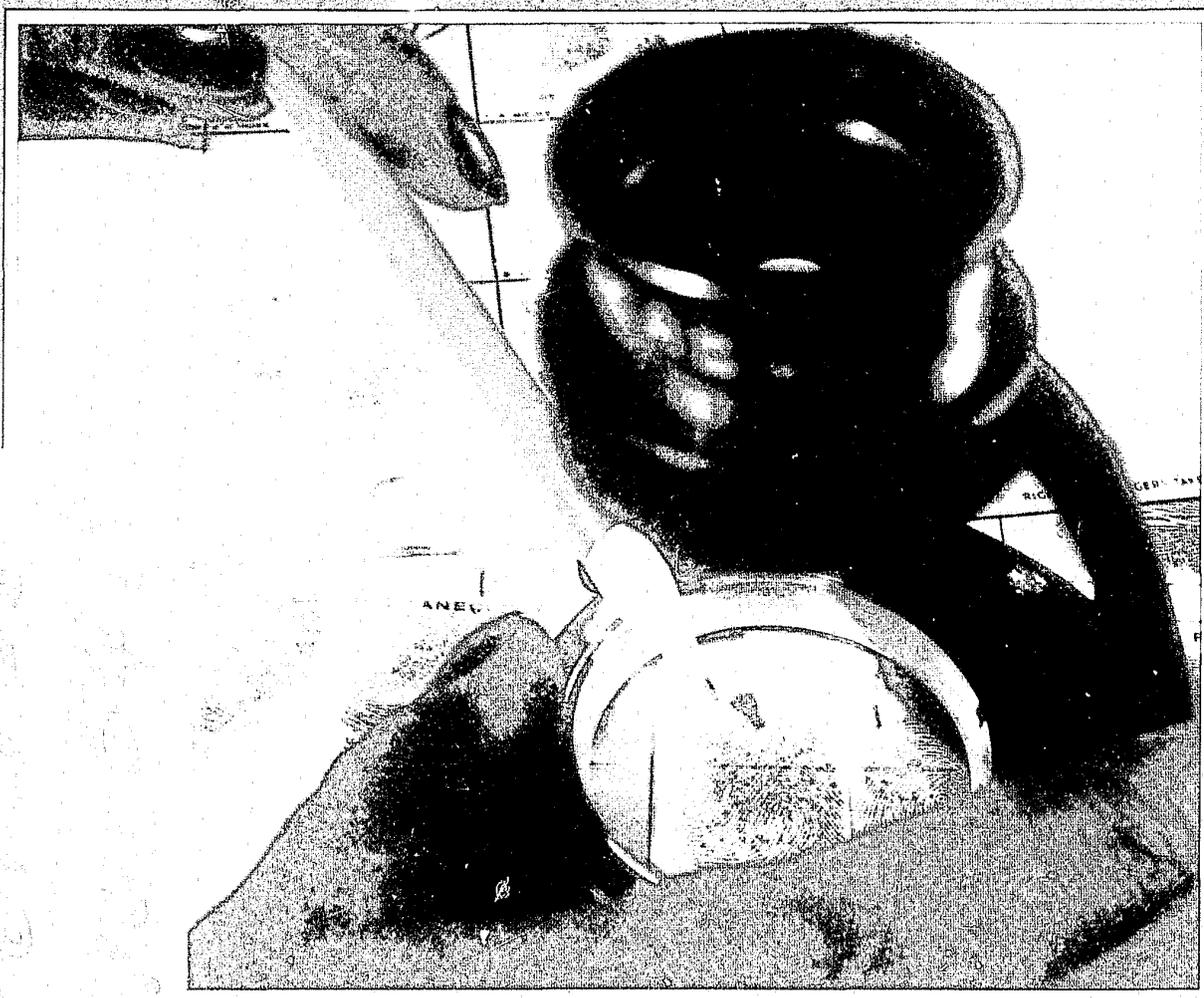


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Law Enforcement Bulletin



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Fingerprint Automation

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The Cover

The FBI's research and development in automating fingerprint processes revolutionized the science of fingerprint identification. See article p. 2.

FBI

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Automobile Insurance Fraud Pays ... and Pays Well

By

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A multimillion dollar automobile insurance fraud scheme came to light in mid-1982 through an investigation conducted by the Federal Bureau of Investigation (FBI) in Atlantic City, NJ. Believing that they were dealing with an isolated case of fraud, Agents arrested an individual during a meeting held in an Atlantic City casino. This individual became exceedingly belligerent and refused to identify himself to the Agents. Based upon the subject's reticence and other factors, the Agents were able to obtain a search warrant for his hotel room.

In that hotel room, in neat black looseleaf binders, the Agents discovered well-kept records of an automobile insurance fraud scheme that would prove to be the largest in New York State history. The scheme itself was so simple and so lucrative that it spread quickly, particularly in the New York metropolitan area. Like a good television program, spinoffs followed, so many, in fact, that it became difficult to keep track of the hundreds of individuals identified as being directly or indirectly involved in the scheme.

Because of the nature and extent of the case, the U.S. Attorney for the Eastern District of New York assembled a joint Federal-city task force consisting of personnel from the Federal Bureau of Investigation, U.S. Postal Service, and the Auto Crime Di-

vision of the New York City Police Department.

The Nature of the Scheme

The scheme's success was attributed to the fact that the participants controlled every aspect of the process, from obtaining the insurance through processing accident claims by carriers.

The first step in the process was to obtain the automobile insurance, usually from a broker who profited from this service since he was knowledgeable of the fraudulent purposes. In the scheme, the broker would obtain insurance for the same automobile in different names or insure an automobile for an individual using an alias or for an individual who was unaware of the existence of the insurance.

The next step was to have the automobile insurance policy placed with an insurance carrier who employed a member of the scheme. This could be accomplished in two ways. At first, employees of the New York State Assigned Risk Plan were paid to bypass the random computer placement and manually assign the insurance to the company designated by the other members of the scheme. Later, brokers realized they could steer a policy

to a particular insurance carrier by merely stating on the application that a particular company was the insured's household carrier. In most cases, the designated insurance company would not even check to see if the individual was previously insured by them.

Once the insurance was in force, members of the scheme activated it. The initial claim against the policy was invariably a vandalism claim, with the sole purpose of recouping the expense of setting up an automobile, i.e., license, registration, insurance premium, and payoffs to the broker and assigned risk employees.

The vandalism itself was usually staged. Parts of the vehicle were carefully removed to be replaced later, or a similar automobile previously damaged was substituted. Claim adjusters, who were also part of the scheme, would then photograph the "vandalized" automobile and draw up an estimate of damage, which would be submitted to their companies as proof of the loss. In some instances, claim adjusters were simply handed photographs of the damaged vehicle, never actually seeing the damaged automobile.

Shortly thereafter, another claim would be reported to the insurance carrier. This claim would usually be a collision in which the insured's vehicle



Special Agent Beekman

would be clearly liable for the damage to itself and to the other automobiles involved. Usually, the other cars were parked and were high-priced models. Invariably, the driver of the insured vehicle would swerve to avoid a dog, a child, or another car and subsequently hit one or more parked cars, causing substantial damage. Not surprisingly, the parked cars were also controlled by members of the scheme.

After the alleged collision, the automobiles were supposedly towed to a specific auto body shop to which the insurance carrier's claim adjusters would go to view the damage. The claim adjuster would then forward all paperwork and photographs to the insurance carrier. As there appeared to be nothing improper regarding these claims, the company would quickly settle them. Within a very short time, members of the scheme would receive claim checks for the damaged automobiles, and in many cases, from more than one carrier. Automobile insurance policies were exploited by the scheme's participants to their maximum fraudulent advantage.

The auto body shop became the focus of the scheme. The owner of an auto body shop, who had a number of high-priced wrecks on his lot, could make a small fortune in fraudulent claims. One owner bragged that he made over \$8 million (tax free) in 2 years.

These high-priced wrecks would literally become picture cars. Some shop owners would maintain a picture library of these damaged vehicles and give them to claim adjusters at the appropriate time. Sometimes, before the photographs were taken, license plates from a similar, but undamaged car would be placed on the wrecked vehicle and more claims would be generated.

In some cases, fictitious vehicles were invented for the purpose of making claims. These damaged phantom vehicles existed only in the photographs that were submitted by the corrupt adjuster to their companies.

After a vehicle had seen too much action and outlived its usefulness, the last step was to make it "disappear." This was accomplished by having the car chopped. Since the scheme worked on a profit motive, the automobile would now be reported stolen. Again, the insurance company would pay off handsomely.

The Computer as an Investigative Aid

Recognizing the mechanics of the scheme proved to be the simple part. Organizing the data received from insurance companies, brokers, and body shop owners presented the major problem. This problem was eventually solved with the help of the vast computer resources supplied by the U.S. Postal Service.

From the documents that were seized in Atlantic City, 35 automobile insurance carriers were identified as being victims of the scheme. Later, each of these insurance carriers was contacted and supplied with guidelines to help them identify fraudulent claims within their companies. Within weeks, hundreds of automobile insurance claim files flooded the U.S. attorney's office.

Approximately 40 FBI Agents were recruited and trained to assist in computerizing the information contained in over 3,000 claim files that were amassed. Although this proved to be a tedious and unpopular process,

"The multiagency approach to the investigation of major fraud schemes proved to be very effective."

Figure 1

**REPORT NUMBER 2
LIST OF VEHICLE NUMBERS AND RELATED PRINCIPLES SORTED BY VIN NUMBER
CASE NUMBER: 195 75552 F(2)**

FILE	AGENCY	VIN	LICENSE	NAME	INCIDENT TYP	LOC	ESTIMATED AMOUNT	MILEAGE	CHECK AMOUNT	CLAIM DATE
1358	AIC	2W87K9N1856283	997UDS	Jones			1,664	026720	199	
							1,664		199	
1762	USF	2W87K9N194327	537VDD	Brown			3,982	001317	3,782	05 21 80
							3,982		3,782	
2395	GAC	2W87TAN124179	656JDQ	Smith				12384	8,252	
									8,252	
308	BOC	2W87TAN124453	2663ABJ	Updown Corp			4,386	015385	4,368	06 11 81
							4,386		4,368	
82	BOC	2W87TAN127752	121VMC	White	PC	BN	6,400	065375	6,400	05 27 81
	BOC	2W87TAN127752	143TZY	Johnson	PC	BN	4,756	002986	4,756	05 27 81
1264	GAC	2W87TAN127752	121VMC	White			4,975	002059	4,975	10 08 80
84	BOC	2W87TAN127752	121VMC	White	PC	BN	5,452	11858	5,422	
							21,583		21,553	
1081	HAR	2W87TAN14464	218VNT	Black			4,203	021632	4,003	08 23 82
							4,203		4,003	
1326	USF	2W87V7N203089	642FVM	Regal			1,996	043619	1,996	06 19 81
2371	USF	2W87V7N203089	642FVM	Regal			1,996	043619	1,996	06 19 81
							3,992		3,992	
402	TRA	2W87WAN10382	1383AEV	P. Fiero			4,640	010997	4,776	04 30 81
							4,640		4,776	
27	GAC	2W87WAN103822	1383AEV	P. Fiero	PC	BN	4,907	010977	4,907	04 30 82
280	BOC	2W87WAN103822	1383AEV	P. Fiero			4,694	010997	4,426	06 12 81
1676	USF	2W87WAN103822	1383AEV	P. Fiero			4,840	008146		06 03 81
339	HOR	2W87WAN103822	1383AEV	P. Fiero			4,761	10997		05 22 81
33	WAW	2W87WAN103822	1383AEV	P. Fiero	PC	SI	3,901	008362	3,909	05 20 81
1305	GAC	2W87WAN103822	1383AEV	P. Fiero			4,907	010997	4,907	04 28 81
44	MEM	2W87WAN103822	1383AEV	P. Fiero	PC	SI	4,707	010497	4,707	04 24-81
288	BOC	2W87WAN103822	9383ADD	J. Rambo			4,771	010997	4,771	04 21 81
45	ANF	2W87WAN103822	1383AEV	P. Fiero	PC	SI	4,711	010997	4,711	04 17 81
292	AML	2W87WAN103822	1383AEV	P. Fiero			4,776	10997	4,776	04 17 81
38		2W87WAN103822	1383AEV	P. Fiero	PC		5,202		4,407	
763	WAV	2W87WAN103822	1383AEV	P. Fiero			3,909	008362	3,909	
1343	USF	2W87WAN103822	1383AAEV	P. Fiero					45,907	

the computer printouts enabled investigators to keep track of the claim files, identify patterns, and begin investigations.

The computer printouts were an invaluable source of information and an excellent cross reference, since the reports could be generated in any manner that the investigators deemed useful. (See fig. 1.) In this investigation, 10 reports were used extensively.

- 1) A log of all the claim files in the system;
- 2) A list in numerical order of the vehicle identification numbers (VIN) of all the automobiles used

in the claim files. This report clearly showed the number of times the same vehicle was used in the scheme. In fact, the indictments obtained were based largely on the use of the same vehicle in numerous claims;

- 3) A list of names of the insured and claimants in alphabetical order;
- 4) A numerical listing by addresses;
- 5) Telephone number listings in numerical order;

- 6) A numerical listing of all license plate numbers;
- 7) A list of all policies written by the same insurance broker;
- 8) A list of all claim files obtained from the same insurance company;
- 9) A list of all claims appraised by the same insurance adjuster; and
- 10) A list of all auto body shops in alphabetical order. (From this list it was discovered that some of the auto body shops, in fact, did not exist).

“... this investigation represented a major milestone in an effort to establish meaningful deterrents to automobile insurance fraud....”

The History of a 1980 Lincoln

After the computer assisted in identifying an automobile that was used several times in the scheme, a chart would be created to actually trace the fraud. This chart makes it very easy to see how the scheme worked. (See fig. 2.) The concept of creating charts on an automobile used several times in the scheme was a technique used successfully by the Auto Crime Division of the New York City Police Department.

Once such chart was created on a 1980 Lincoln, originally registered to Mr. Continental* in New Jersey. On August 8, 1981, Mr. Continental wrapped his Lincoln around a pair of telephone poles, sending him and his wife to the hospital. Fortunately, Mr. and Mrs. Continental sustained only minor injuries, but their 1980 Lincoln was declared a total loss and sold for

salvage.

Knowing that the State of New Jersey does not indicate on their automobile titles that the vehicle was a total loss, participants in the scheme purchased the wrecked Lincoln, with its clean title. The Lincoln, with its title, was brought to Brooklyn, NY, and the fraud process was set in motion.

On October 10, 1981, Valerie Transam*, driving her 1979 Pontiac hit the parked 1980 Lincoln now registered to Alfred Mark.* Not surprisingly, the pictures of Mr. Mark's damaged Lincoln that were submitted to the insurance company by the claims adjuster showed identical damage to that incurred by Mr. Continental, the original owner.

Four other claims were identified using the same Lincoln. In each of these accidents, the Lincoln was parked and hit by another car. In each

claim the driver of one vehicle was clearly liable for the accident, and his insurance company would pay off almost automatically, in most cases without any investigation.

An additional claim on the 1980 Lincoln was identified, in which Mr. Mark made a claim to his insurance carrier because he alleged that his Lincoln was hit while it was parked and the identity of the other car was unknown.

The scheme was so successful and the participants so confident that they reported two accidents involving the Lincoln on the same day. On November 20, 1981, a 1980 Audi driven by Diane Fox* hit the parked 1980 Lincoln, now registered to Tony Towncar.* On the same day, a 1980 Cadillac driven by Frank Fleetwood*

*fictitious

Figure 2

1980 LINCOLN											
DATE OF LOSS	INSURED NAME & ADDRESS	INSURED VEHICLE VIN & TAG	TYPE OF CLAIM	CLAIMANT NAME & ADDRESS	CLAIMANT VEHICLE VIN & TAG	AUTO BODY SHOP	MILEAGE*	PAYMENTS	REMARKS	FILE NO	
8-8-81	JOHN CONTINENTAL 6 MAIN ST. HOMETOWN, N.J.	1980 LINCOLN OY89G6365J3 151-FKM (NJ)	HIT 2 PHONE POLES	---	---	---	23,204	\$14,600	LEGITIMATE ACCIDENT BODILY INJURY TOTAL LOSS	1	
10-10-81	VALERIE TRANSAM 1300 73 ST. BROOKLYN, NY	1979 PONTIAC 2W87 K9N123655 9798-APE	HIT A PARKED CAR	ALFRED MARK 1700 58 ST. BROOKLYN, NY	1980 LINCOLN OY89G63655* 151-VOW	WORLD WIDE	23,204	\$ 7,176	NO BODILY IN- JURY	2	
10-29-81	VALERIE TRANSAM 1300 73 ST. BROOKLYN, NY	1980 MERCEDES 1231201205043 9469-HEY	HIT A PARKED CAR	ALFRED MARK 1700 58 ST. BROOKLYN, NY	1980 LINCOLN OY89G636553 3488-AGE	36 ST. COLLISION	23,204	---	MERCEDES USED IN OTHER CLAIMS	3	
11-20-81	DIANE FOX 1300 73 ST. BROOKLYN, NY	1980 AUDI 43A0660759 245-VXQ	HIT A PARKED CAR	TONY TOWNCAR 1700 58 ST. BROOKLYN, NY	1980 LINCOLN OY89G636553	RELIABLE COLLISION	23,204	\$ 6,500	RELIABLE—SAME AS 36 ST. COLLI- SION	4	
11-20-81	FRANK FLEETWOOD 1492 COLUMBUS ST BROOKLYN, NY	1980 CADILLAC 6D696A910790 2225-ADD	HIT A PARKED CAR	ALFRED TOWNCAR 1700 58 ST BROOKLYN, NY	1980 LINCOLN OY89G636553 727-RIP	RELIABLE COLLISION	23,204	\$ 7,275	TAG 727-RIP USED IN FILE 6	5	
12-20-81	ANTHONY REGAL 10 BROADWAY TOWN FALLS, NY	1980 BUICK --- 727DRIP	HIT A PARKED CAR	ALFRED MARK 1700 58 ST BROOKLYN, NY	1980 LINCOLN OY89G636553 6580-ADD	---	---	NOT PAID	TAG ON 80 BUICK USED IN FILE 4 & 5	6	
1-6-82	ALFRED MARK 1700 58 ST. BROOKLYN, NY	1980 LINCOLN OY89G636553 7717-ADD	HIT WHILE PARKED	---	---	RELIABLE COLLISION	13,204	\$ 7,552	CHECK SENT TO BROKER—WIFE OF AUTO BODY SHOP OWNER	7	

* MILEAGE—AS REPORTED IN CLAIM FILE
 --- NO INFORMATION AVAILABLE



Original accident photo of the 1980 Lincoln.

also hit the parked Lincoln, now registered to Alfred Towncar.* In both accidents, the appraisal photographs of the Lincoln that were submitted to the insurance companies were identical to the damage incurred by the original owner.

Over a period of 6 months, the insurance industry paid over \$35,000 in claims to the owner of the 1980 Lincoln.

Identifying the Participants

Using charts, the fraud can easily be seen. However, what was not as evident was who profited from the scheme, as many of the people being used were fictitious and some were deceased. (In one claim, a 1979 Datsun driven by David Maxima*, hit a parked 1978 Cadillac registered to Marvin Taub and a parked 1981 Corvette, registered to Robert Zielinski. It was discovered that Traub and Zielinski lie next to each other in a cemetery adjacent to the auto body shop where their automobiles were supposed to have been repaired.)

The focus of the investigation now centered on sifting through the numerous claims and identifying the principal subjects. This was accomplished by a two-pronged investigation. First, there was a repetition of addresses used by the insured and claimants. Upon

investigating these addresses, it was learned that four were controlled by one individual and another four were controlled by a second individual. Therefore, these two individuals were targeted as major participants in the scheme.

The second part of the investigation focused on the claim checks which were provided by the insurance companies. By handwriting and fingerprint comparison of a number of suspects, additional major participants were targeted.

Variations of the Scheme

One ingenious member of the scheme would lease 5 to 10 identical luxury-type automobiles. Each of these would be insured with multiple companies under different names. Then, one of these identical automobiles would be deliberately wrecked in order that this wreck could be used to make multiple claims against all the other insurance carriers. According to one participant, the intentional wrecking of an automobile was accomplished by actually driving it into a stationary object at high speed. This wreck now became the picture car for all the other identical cars.

Another variation occurred on Halloween day at the same location in Staten Island, NY. An individual driving an older model vehicle swerved when his car was hit by an egg and hit the same two parked cars seven times in a 2-hour period! This claim was reported to seven different insurance companies.

Halloween and July 4th proved to be ideal for reporting vandalism claims, while rainy and snowy days were perfect for reporting collisions.

Summary

Over a 3-year period, 50 individuals have been indicted and convicted as a result of the investigation conducted by the joint Federal-city task force. The multiagency approach to the investigation of major fraud schemes proved to be very effective.

Although this investigation represented a major milestone in an effort to establish meaningful deterrents to automobile insurance fraud by putting three major rings out of business, this deterrent proved to be short-lived. The opportunity to make big money makes it almost impossible to eliminate the problem of automobile insurance fraud. As one person put it, "Robbing an insurance company is a lot easier and a lot less dangerous than robbing a bank." To this can be added that it is a lot more profitable to rob an insurance company than a bank.

The FBI's New York City Office is currently making efforts to establish a permanent multiagency task force to work with the automobile insurance industry to address the problem of automobile insurance fraud on a larger scale.

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