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EXPLORING THE WORLD OF EXOTIC CAR RENTAL FRAUD

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Wouldn't it be fun to arrive at your class reunion in a red Ferrari or cruise around in a Rolls-Royce Ghost for the weekend? The allure of exotic car rentals can be tempting, but resist the urge. The industry is rife with fraud, endangering both renters and brokers.

Consider the cost of your own auto insurance. Then imagine the premium for just one Lamborghini. Envision the price to insure an entire showroom filled with Ferraris, Porsches and other exotic cars, along with liability coverage for a procession of renters. Insuring such an operation is virtually unaffordable. So many agencies operate uninsured, making you the potential victim.

Exotic car rental businesses are common. People want to appear successful. Aspiring musicians post photos of themselves seated in borrowed Lamborghinis. One young renter told us, "Money attracts money."

However, most renters are unaware the brokers might not even own the cars, or that they lack the proper insurance, leaving the renters responsible for any losses. In more dire cases, the vehicles' true owners aren't respectable investors. They're involved in organized crime and money laundering. Renters rarely wonder – or care – whose car they're driving.

For years, the exotic car rental business has operated unregulated and underinsured. A common business model involves brokers borrowing cars, at times from unreputable sources, to rent to naïve customers. Flashy showrooms might contain cars whose true owners can no longer afford the payments. Brokers avoid purchasing any inventory and promise to split the profits with the owners. Or worse, they borrow cars from criminals who expect substantial returns. The brokers open neon storefronts, charging renters \$1,000 to \$5,000 per day.







For a legitimate business, such an operation would be almost uninsurable. Commercial policies wouldn't cover a fleet of cars they don't own. Consequently, these businesses operate uninsured. Similar to a Ponzi scheme, they hope no one reports a loss as they collect massive earnings. Minor losses might be paid out of pocket. For larger losses, they instruct the renter to submit a claim to their own insurance, coaching them on what to say, such as they "borrowed the car from a friend."

In more ominous cases, the brokers conspire with criminals who steal the cars back from unwary renters. One investigation revealed a young customer who had rented a Lamborghini for a DJ job. He wanted to be seen arriving at the club in the red car. Within hours, it was stolen without a trace. The broker coerced the renter into submitting a fraudulent insurance claim for over \$350,000, asserting he had borrowed the car.

We discovered the Miami broker had a history of thefts, leading us to deduce they had spare keys. They rented the cars for enormous fees and then tracked the drivers to easily steal them back. If the driver's insurance paid the claim, they'd pocket those funds as well. Investigators discovered the broker had a criminal record tied to Eastern-European organized crime.

That claim was not paid for one basic reason: The broker could never prove ownership or the origin of the car. No one stepped forward as the owner, so there was literally no one to pay.

FRAUD AND MONEY LAUNDERING

One luxury broker, Mani Chulpayev, was arrested in Ukraine and extradited for bank fraud, mail fraud, and money laundering in October 2020. According to the U.S. Drug Enforcement Administration, Chulpayev allegedly profited from years of fraud by renting exotic cars to drug traffickers, which served as a method to launder their illicit cash.



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Chulpayev reportedly obtained cars through fraudulent means and leased them to traffickers. To build an inventory, they recruited straw buyers to purchase exotic cars in their names. The buyers would then give the cars to Chulpayev to be leased to others, including criminals who paid cash from their trade.

The sham buyers financed multiple vehicles within a short period before the new loans appeared on their credit reports. The buyers were given forged documents, including fake paychecks, to use for loan applications.

According to the DEA, Chulpayev initially made some of the loan payments but soon stopped. When the sham buyers defaulted, the banks were burdened to repossess the vehicles from drug dealers or had to locate cars that had been exported to foreign countries. A federal grand jury

indicted Chulpayev and two of his associates on counts of conspiracy to commit bank and mail fraud, and one count of conspiracy to commit money laundering.

WANT OUT OF YOUR LUXURY LEASE?

A Los Angeles man pled guilty to federal criminal charges in January 2022 for swindling victims into giving him their exotic vehicles with promises he could find investors to assume their leases. In reality, he was renting their cars to unsuspecting customers.

According to the state attorney general's office, Geoffrey Hull advertised he could find people to take over leases for exotic cars, including Bentleys and Ferraris, from people who wanted out of their contracts. He shared very little of the proceeds with the leaseholders, who were still responsible for their payments.

Victims began to report their cars stolen. When some vehicles were returned after police seizures and repossessions, they were often damaged or had been driven excessive miles. To evade investigators, Hull changed his company's name at least



eight times. He used a series of aliases and already had three prior convictions for grand theft. The state attorney general's office reported at least 128 individuals had been defrauded.

FROM BAD TO TRAGIC

In a more sinister case, ambitious Miami broker Raimundo Modia borrowed exotic cars from wealthy owners in order to open his business. He rented two cars, a Lamborghini and an Audi R8, to customers who never returned. A third renter stole a Porsche Panamera that had been loaned to the agency by a professional NFL football player.

A desperate Modia spent the last week of his life searching for the uninsured cars. The true owner of the Lamborghini demanded his \$250,000 car back. Modia, heavily in debt with a home in foreclosure, was now liable for \$500,000 in cars he didn't own.

Modia struggled to conduct his own investigation. One source told him millionaires who owned a hip-hop label had taken one car. Another told him two criminals had taken the cars to Las Vegas. Frantic, he attempted to follow every lead.

Modia was found dead weeks after trying to track the cars. He'd been shot several times in a Fort Lauderdale warehouse. The murder left the exotic car rental community in a panic. Some considered it proof that Eastern European criminals were targeting their agencies and had finally claimed their first victim.

That scheme involved a Russian crime gang that used renters carrying false identification. They rented vehicles with the purpose of shipping them to Eastern Europe and California chop shops.

In a related case, another Miami exotic car agency attempted to use GPS to locate their missing Mercedes-Benz. It had been rented to a man with identification from the former Soviet Republic. When police tracked the car to a warehouse, they found the Mercedes and a stolen Audi being loaded into a container by eight Russian criminals.

WHY INSURERS SHOULD CARE

Many don't realize it's a crime in most states to sublease a motor vehicle. In Florida, it's a third-degree felony to sublease a vehicle without getting a lienholder's express authorization. In California, it's punishable by imprisonment. In almost all circumstances,

it would require the written authorization of the lienholder and the insurer, which would seem improbable.

Hazards from renting uninsured exotic cars include liability for injuries to the driver or others, or for damages to other vehicles or property. It's easy to envision how novice weekend renters wouldn't know how to properly operate a high-performance vehicle.

INSURER CAUTIONS

It's important for carriers to consider some factors when investigating claims for exotic cars.

- Does your policy language allow subleasing?
- A customer buying or insuring multiple vehicles within a short period of time.
- Does the age and occupation of the driver make sense? A fast-food chef operating a Lamborghini?
- Prior claims with exotic vehicles, especially hit-and-run scenarios.
- Unknown driver at the time of the loss.
- Date of loss is a holiday weekend. Exotic car rentals surge during holidays, Super Bowl weekends, etc.
- The owner is pushing to be compensated. The car is not able to earn any money.
- Always verify the true owner and registration of the vehicle.

While many legitimate agencies rent exotic vehicles ethically and with proper insurance, the industry is plagued by fraud. Before succumbing to the allure of exotic car rentals, thoroughly read the rental contract and verify the agency's insurance coverage to protect yourself from any potential dangers.

Richard Wickliffe, CPCU, ARM, CLU, (RLWickliffe@yahoo.com) has worked in the insurance industry leading fraud investigators for over 20 years. He enjoys speaking about unique fraud and crime trends at venues including a CPCU conferment and the FBI's InfraGard Counterterrorism conferences, where he received the FBI's Exceptional Service in the Public Interest Award. He's also the author of crime fiction, where he was awarded Best Popular Fiction by the Florida Book Awards, as well as an upcoming non-fiction about insurance fraud.