

SIUtoday

UPDATE ON INSURANCE FRAUD

SUMMER 2012

 iasiu

WWW.IASIU.ORG



THE RUSSIAN MAFIA:

A Rising Threat
of Fraud and
Violence

THE RUSSIAN MAFIA:

A Rising Threat of Fraud and Violence

Whether you investigate injury claims, Medicare, property, or even credit/identity theft cases, an increasing trend may be already affecting you. Organized Eastern European crimes—generically referred to as the “Russian Mafia”—have eclipsed Italian organized crime on the FBI’s radar in South Florida, Los Angeles, Las Vegas, and other metropolitan areas.

The days of individuals exaggerating their claims out of financial desperation are no longer a top priority. The growth in organized activity is a significant—and more costly—threat, and these perpetrators are not the harmless policyholders-next-door.

“Eurasian organized crime is our number-one priority,” says an undercover agent with the FBI’s Miami office. North Miami Beach, where many reputed ringleaders live, has so many migrants from the former Soviet Union that it has earned the nickname “Little Moscow.” Some of their more colorful ventures include:

The “B-Girl” Scheme

Have you seen claims for unusual robberies of jewelry, watches, or credit/identity theft? Statements such as, “I woke up and can’t remember anything”? In 2011, six members of an Eastern European network and 10 bar girls (“b-girls”) were charged with conspiring to fleece unsuspecting Miami tourists by running up their credit cards at private nightclubs.

How it works: Illegal Russian immigrants leased clubs and obtained credit merchant accounts. They flew in b-girls from Eastern Europe with 90-day visas, rented apartments for the girls, and sent them out to hotels in trendy South Beach. The girls hunted in packs between 10 p.m. and 5 a.m. to seduce male visitors into coming to private clubs. They then ordered bottles of over-priced champagne, caviar, and other items.

According to the FBI’s arrest affidavit, “The clubs are not open to the public and operate solely as a front for fraud.” Many victims suspect they were drugged (most refused medical

treatment out of embarrassment.) The girls would physically assist their victims in signing credit card slips. Some men were propped up by the girls long enough to force a signature.

Why Florida? Police speculate the Russian mob is preying on Florida's liberal "Innkeeper Laws," which require

customers to pay a disputed bill up front to the merchant, and then take up the dispute with their credit companies. Many customers would wake up the next day with missing Rolexes, jewelry, expensive suits, or shoes. The b-girls, received 20 percent commissions for what they brought in.

A prominent Philadelphia weatherman claims to be a victim of two b-girls on South Beach. Unlike most mortified victims, he's made his plight public, including a lawsuit against his credit company for not believing his story and "ruining his credit." He only recalls meeting two beautiful girls on South Beach who wanted to do shots of Russian vodka at their favorite club. He received a call from his credit card company a week later, stating he signed for \$43,000 in caviar and drinks, including a \$5,000 bottle of champagne.

Injury and Medical Fraud

Here is an ominous quote from an undercover agent on the FBI's organized crime team: "Organizations from the former Soviet Union are here to commit any type of fraud you can think of."

With the mob's hierarchy, local bosses work for a "thief-in-law" in their homeland who acts as a general, controlling their criminal enterprises and resolving disputes through violence. The thief-in-law is called a "Vor" in Russian—a term from Stalin's labor camps for criminals. This hinders law enforcement because the local mob's hierarchy is overseas, where they have greater access to political protection.

In February 2011, indictments for more than 100 suspects were filed against suspects from Miami to Los Angeles. According to John Gillies, special agent in charge of the FBI Miami office, these groups, "directly affect our national security." In addition to money laundering and financial schemes, the indictments include the submission of fraudulent injury claims to several major insurers. At the center of the fake injury scheme was a South Florida chiropractor and a medical clinic.

Three Russian suspects were charged with conspiring to commit fraud in connection with their ownership of a clinic in Hallandale, Fla., and a chiropractic office in North Miami. Both clinics paid individuals to refer patients and to stage accidents. The clinics billed insurance carriers for treatments that were either not medically necessary or not provided.



Suspect a case of fraud? Rely on more than instinct.

AEI's self-study courses in Law of Claims Fraud Investigation and Defense will give you the expertise you need to complete successful fraud investigations.

AEI's flexible self-study format, clearly-written textbooks, and experienced counselors will prepare you for handling the difficult issues affecting fraud investigation. Courses include:

- Recognizing Fraud
- Proving Fraud
- Handling Suspicious Claims
- Auto Insurance Fraud
- Special Investigation
- Avoiding Bad Faith
- Advanced Fraud Issues

Contact us today for more information. With training from AEI, you'll be fully prepared to handle suspicious claims properly.

call: 1 800 631-8183
or visit: www.aeiclaimslaw.com



EDUCATING INSURANCE PROFESSIONALS FOR MORE THAN 35 YEARS

According to Bill Kuhn, special agent with the National Insurance Crime Bureau (NICB), “The latest trend with Russian clinic ownership is they are now smart enough to keep their names off the corporate paperwork.” They have learned that names appearing as Eastern European in origin could bring unwanted scrutiny. They now use proxy owners for their clinics.

To illustrate the extent of the mob’s reach, Florida’s ringleaders have maintained associations with “Armenian Power,” a violent Los Angeles crime organization with ties to Armenia and Russia. The Armenian Power leaders are suspects in fraud crimes in Los Angeles,

by Russian gangs for their Social Security numbers to use on fraudulent invoices. Even the elderly have been targeted. Police have received reports from family members who feared their grandparents were missing, only to discover that they were picked up by a van and taken to bogus clinics to have their Medicare information recorded.

With injury claims tied to Russian gangs in Miami, Los Angeles, Houston, and Detroit, the gangs use common street criminals to recruit corrupt doctors and patients.

Because of a loophole in the law, criminals with violent records—in one case, a convicted murderer—have been

carriers, and pay a \$2.75 million fine. His brother turned state’s evidence, testifying for the prosecution and received only probation. From the estimated \$80 million in profits they had earned, authorities believe they hid most of it in their home country.

Auto Theft and Chop Shops

A Russian auto theft operation in California (with similar operations in South Florida) came to the attention of police in Sacramento, Northern California, Oregon, and Washington.

The Ukrainian workers specialized in auto theft and VIN switching. The older members ran body shops (chop shops) and the younger members stole vehicles that were taken out of state and registered with salvage titles. Many were believed to be shipped overseas through port cities to Europe or Russia and sold for substantial profits. This more-violent group would also use vehicles in extortion schemes, cellphone fraud, prostitution, and trafficking narcotics.

Regardless what type of fraud you investigate—whether it’s injury, Medicare, property, or even credit/identity theft cases—these growing trends are more organized and dangerous than prior threats. Extreme care should be used, and if you identify any suspected schemes, be cautious with any face-to-face meetings. You should utilize any immunity statutes your state has to share and work closely with your law enforcement partners. Our suspects may no longer be the desperate meek who claim to have whiplash.

The mobs are moving progressively into injury fraud, using violence in something that was once considered a white-collar crime.

Las Vegas, and Miami.

In Los Angeles, when a Russian-Armenian crime ring was caught billing Medicare for more than \$20 million through sham clinics, authorities discovered their leader was a former colonel with the Soviet army.

Why the Growth in Injury Fraud?

The easy answer to this question is this: faster money (insurance) and shorter prison sentences. The mobs are moving progressively into injury fraud, using violence in something that was once considered a white-collar crime. Injury fraud can easily net the groups \$25,000 a day, risking just a modest prison sentence—if they are ever caught. A drug dealer would need weeks to earn that much, and risk possible life in prison.

Medicare and insurance carriers have been billed for equipment, drugs, and treatment that patients never receive or didn’t need in the first place. In Los Angeles, the homeless have been recruited

able to obtain Medicare supplier licenses. Applicants with felony records can only be rejected if their convictions are 10 years old or less. One suspect, who spent 14 years in prison for second-degree murder, opened a business in Hialeah, Fla., as a Medicare supplier. Investigators eventually caught on to the fraud and suspended his license, but the company had already received tens of thousands in illegal billing.

In an L.A. case, considered the largest of its kind, 13 defendants were charged with a billing scheme estimated at \$1 billion, headed by two Russian brothers. The brothers utilized mobile labs to conduct unneeded tests on recruited patients. Their scheme spread to Illinois, Missouri, Illinois, and Florida.

After an extensive investigation, one brother was sentenced to 21 years in prison for fraud, racketeering, conspiracy, and money laundering. He was ordered to return \$50 million in assets, pay \$41 million in restitution to insurance



Richard Wickliffe, CPCU, CLU, ARM, has managed SIU teams for State Farm Insurance in Florida for 13 years. He’s a member of the FBI’s Infragard Committee, a partnership between FBI and the business sector to analyze criminal and security threats. He has presented and written about creative crimes, including one book of fiction and a recent film project acquired by 20th Century Fox. Rich can be reached at rich.wickliffe.cpnz@statefarm.com.