

**FOR IMMEDIATE RELEASE - September 8, 2008**  
Contact [Dawn Lipsey](#), Executive Director  
410-931-3332 ext. 105

## **Progressive's Beth Shroat Named IASIU Investigator of the Year Outstanding Service, Public Service and Analyst of the Year Recognized at IASIU Seminar**

Beth Shroat, an SIU investigator for Progressive Insurance, was named the International Association of Investigation Units' 2008 Investigator of the Year today at the group's 23rd Annual Seminar & Expo on Insurance Fraud. National Insurance Crime Bureau's Don Howell received IASIU's 2008 Outstanding Service Award as part of the awards presentation. Detective Alex Gilinets of the Los Angeles Sherriff's Department received the 2008 Public Service Award and Candice Taylor, an SIU intelligence analyst with Nationwide Insurance was named IASIU's 2008 Analyst of the Year.



### **2008 Investigator of the Year Award**

Shroat identified and investigated a multimillion dollar "straw buyer" auto theft schemes which ultimately lead to the dismantling of a violent criminal enterprise.

While conducting an organized medical investigation in 2003, Shroat observed an interesting trend associated with several vehicles. Not only were there questions regarding vehicle ownership, but funds used to secure multiple policies for different people were all drawn from one bank account.

Shroat determined there was no connection between the policyholders. Additionally, the vehicles were all newly-purchased, high-end vehicles with lienholders. Based on these initial findings, Shroat's investigation took a new direction.

She began her roadwork by interviewing the agents who wrote the policies and canvassing the addresses on each policy. Neighbors had never seen the vehicles in question. The insureds could not identify the vehicles for which claims were being filed, nor could they explain where the vehicles were located.

Shroat pieced together significant information and discovered an elaborate scheme that used straw buyers to purchase high-end vehicles, insure them for lower rates and hide the true identity of the owners. In many cases, these straw buyers had excellent credit or used stolen identities. The vehicles were then leased or sold to parties with poor credit or no credit who, in many instances, had no legal or identifiable source of income. In many instances, the individuals who ended up with the vehicles had horrible driving records and no driver's license. Some vehicles were used in illegal and questionable activities, as evidenced by the fact that several claims involved the repair of bullet holes.

A significant break in the investigation occurred during an examination under oath of one straw buyer. This individual, whom Shroat had determined purchased 14 vehicles, testified that a fictitious company rented out the vehicles for an exorbitant fee, which covered the payment to the straw buyer. Shroat persuaded this person to cooperate and provide information on the inner workings of this scheme. The ringleaders were using multiple aliases to attract and set up straw buyers.

Based on the information and scheme profile developed through the investigation, Shroat proactively mined

data to identify new policies link to the straw buyers and the fictitious corporation. Her investigation revealed another straw buyer and determined misrepresentations, the policy was voided *ab initio*.

Shroat referred her case to the local FBI office and met with them to explain her findings. Law enforcement was aware of the group linked to this scheme. However, they were unaware of this aspect of their criminal enterprise. The group was part of a dangerous organized crime ring linked to drug dealing, extreme violence and gangland executions. Shroat continued to identify policies weekly and used link charts to track this growing enterprise. She shared this newly-developed information with law enforcement weekly.

Ultimately, after five years of continuous casework, the final 11 defendants leading this nationwide scheme were sentenced in March 2008. This fraud ring obtained 224 high end vehicles worth over \$11 million by using 50 straw buyers. The straw buyers, at the direction of the organizers, used falsified employment and income information to obtain the vehicles and secure insurance. The straw buyers were instructed to purchase as many vehicles as possible in 30 days to prevent prospective lenders from learning of the scheme by seeing the most recent loan information on their credit reports from previous purchases. As part of an underground economy, the vehicles were then turned over to the organizers who provided them to others with a need to conceal their identities. When payments to lenders stopped and repossessions efforts began, the vehicles could not be located through the original straw buyers. Lenders ultimately lost more than \$2.4 million due to this scheme. The 100 insurance policies linked to Progressive represented a potential exposure of more than \$1 million.

Shroat's investigative skill, engagement in becoming a straw buyer scheme expert and networking capabilities with both the industry and law enforcement were vital for the success of the investigation. As the FBI agent in charge of the investigation indicates, while law enforcement was aware of this criminal organization, "it was not until Beth Shroat identified several straw purchasers to law enforcement that investigators realized the extent of the fraud."

The award criteria for Investigator of Year are:

- Impact on the nominee's special investigation unit
- Impact made on the nominee's company
- Positive effect on the insurance industry
- Positive effect the investigation had outside the community
- Uniqueness and exceptional qualities of the investigation



### **2008 Outstanding Service Award**

Don Howell received IASIU's 2008 Outstanding Service Award in recognition of his many years of service to IASIU and dedication to the fraud fighting profession. Howell, an integral part of IASIU since 1987, played many significant roles in the organization's growth and structure.

Howell developed a passion for investigation during his law enforcement years with the Columbus Ohio Police Department and as a special agent with the Bureau of Alcohol, Tobacco, Firearms and

Explosives. Once in the SIU industry, he dedicated much of his time in volunteer leadership roles. Don was an asset to the SIU programs for whom he worked. He was involved in major cases and impacting the fraud program for companies such American Family, AIG, CNA and National Car Rental.

Howell formed the Minnesota Chapter of IASIU and served for four years as its first president. The Minnesota Chapter recognized his service and dedication by electing him a lifetime member.

Howell has also been instrumental in the international organization. For many years, he proactively served on the board as directors and as treasurer. He chaired several committees as well.

As treasurer, Howell found increasingly better ways to invest the organization's revenue in order to reap the most benefit while, at the same time, keeping IASIU's resources secure. He was responsible for paying bills -- no small task given the size of IASIU's annual seminar. Further, he managed the organization's Frequent Flyer Mile Program allowing board members to attend critical meetings and seminars to insure IASIU's growth at no additional cost to the organization.

He led the charge to establish the Certified Insurance Fraud Investigator program and chaired the CIFI Committee for three years to ensure its success. As chairman of the Finance Committee, he prepared IASIU's statement of fiscal responsibility which guides the board in its investment and budgeting practices. He has chaired the Nominations Committee and served on the By-Laws and Membership Committees.

Howell is wholly responsible for IASIU's ethics procedures and guidelines that allow for fair and just adjudication of any ethics complaint submitted to the board. He was elected to life membership in 2000.

At IASIU's seminar, Howell has worn many hats. For years, he would procure all necessary seminars needs when shortfalls were identified. It was not unusual to see him carrying a dozen VCRs and DVD machines for speakers. He operated the IASIU booth for years, putting in long hours making sure all was in order. He also worked tirelessly at local seminars to promote the IASIU's mission and help establish the stature of the organization.

Howell played a key role in IASIU's negotiations with CCOR about the possibility of a merger with CAIF and NICB. His input was extremely valuable. His historical knowledge provided appropriate context and focus in these negotiations.

IASIU is fortunate to have such a member among its ranks who has dedicated significant, selfless service to establish the foundation and growth of the organization.



#### **2008 Public Service Award**

Detective Alex Gilinets of the Los Angeles Sherriff's Department received IASIU's Public Service Award for his efforts in identifying, investigating and dismantling a large bogus medical scam. This investigation involved a large, sophisticated, international health care insurance fraud criminal enterprise run out of Dubai, United Arab Emirates. The main 13 suspects included Palestinians, Iranians, Germans, Filipinos, Mexicans and Armenians. Millions of dollars obtained through the fraudulent billings were laundered and transferred to either Dubai or the Philippines. These criminals

stole thousands of Americans' medical identities and used them to submit fraudulent Workers' Compensation medical service bills to 70 different insurers.

This case is unique because it involves the combination of medical identity theft and provider fraud. Little in these claims is real, except the checks sent to the crooks. The crooks used stolen IDs to incorporate a medical diagnostic center with the California Secretary of State and to obtain a real tax ID. However, the clinics did not exist. The false diagnostic test billings were generated from stolen medical IDs and claims information. Eventually, the crooks were even stealing doctors' IDs to generate false doctor's reports to make the false diagnostic test bills look more legitimate.

Stolen IDs were used to rent Post Office boxes or small, empty office spaces. If there was an office, there was no furniture, no equipment, no staff, no treatments, no patients -- nothing except an empty office and maybe a fax machine or telephone for voicemails. The office was just a large mail drop. Runners picked up the checks mailed to these fronts. Stolen identities were used to open bank accounts and cash insurance payment checks. The checks were also cashed through a check cashing businesses at a rate of \$40,000 to \$50,000 per day. That cash was deposited into bank accounts with structured wire transfers to send the money directly to Dubai. Very little in these cases was real, making the investigation extremely difficult.

Detective Gilinets, assigned to the Health Authority Law Enforcement Task Force (HALT), was the essential

cog in organizing the investigative efforts. Detective Gilinets used his extensive knowledge of health care insurance fraud schemes specifically perpetrated by Eurasian organized crime groups in Southern California as a key part of this case. His ability to speak Russian and other languages was critical to the success of this investigation. Detective Gilinets was the glue that held this massive effort together and resulted in success from its inception to its ongoing, prosecutions.

The identity theft made everything smoke and mirrors. Most of the initial suspects were actually victims of identity theft and not suspects. For example, in-house videos had to be reviewed to determine the people who opened the bank accounts, rented the office space or cashed the insurance checks were not the people whose identities were stolen. Extensive surveillances, searches, arrests, detentions, interviews, as well as extensive money laundering and tracking efforts and massive coordination efforts were the standard day's activity.

Constant surveillance with quick and decisive action resulting in multiple search and arrest warrants being served, preserved much of the crucial evidence seized during this investigation. Evidence included volumes of banking records, fictitious billings, telephone records, video tape and other fraudulent documents.

The task force generated information that was provided NICB during the investigation. This resulted in 14 NICB alerts warning the insurance industry of these specific clinics and how they defrauded insurers.

Just 19 of these phantom diagnostic clinics billed for \$11.1 million in false services. \$6 million was paid and \$5.1 million was stopped prior to being paid. Prosecutions are occurring in 2008, and restitution orders are being presented to the court.

The first criminal case is currently being prosecuted by the Los Angeles District Attorney's Office. The case is *People v. Melkonyan* and involves four of the diagnostic clinics. This first case is using 220 false Workers' Compensation claims made against active and retired injured LA County Sheriff's deputies/employees (due to their veracity on the stand). To date 120 of these victims have testified. Celebrity Defense Attorneys are representing some of the suspects arrested as a result of this investigation.

Following are the award criteria:

- Impact made to the nominee's department
- Positive effect the investigation had on the insurance industry
- Positive effect the investigation had on the outside community
- Uniqueness and exceptional qualities of the investigation



#### **2008 Analyst of the Year Award**

Candice (Candy) Taylor, an SIU intelligence analyst with Nationwide Insurance, received IASIU's 2008 Analyst of the Year. Her case involved a scheme that included premium avoidance and misrepresentations leading to the assumption of unacceptable risks. Using her experience and analytical skills, Taylor conducted an eight-month investigation into 12-15 passenger vans used for livery purposes while insured under personal lines.

The investigation arose from a claim in Michigan where a 12-15 passenger van, which was transporting illegal immigrants across state lines, was involved in a serious accident. The claim was reserved for \$33 million due to the significant injuries of the passengers. The investigation showed the independent agent knew the van was used for livery purposes, but still issued the policy for personal lines.

Taylor was then assigned to determine if any other exposures fit the criteria. She used data mining techniques along with multiple internal and external resources to identify 12-15 passenger vans insured under the personal lines. She designed a database and used complex filters to locate hundreds of policies fitting this

profile.

Through her analysis, Taylor determined that loss frequency doubled for these types of vans and that severity was 65 percent higher claim severity over other personal line vehicles. Her list of 12-15 passenger vans was sent to the field for investigation, which revealed that 98 percent of these vans were used for livery purposes by various organizations, including churches and day care centers. To determine the scope of the issue, Nationwide paired with NICB to conduct a surveillance operation in New York City and the surrounding areas to identify the vans used for livery purposes.

Taylor's experience, knowledge and skills has directly led to the identification and analysis of this industry wide issue. The impact to Nationwide is estimated to be \$17.5 million. More importantly, her analytical process is being used by other carriers to identify the extent of the issue within industry.

The criteria for Analyst of the Year include:

- Impact made to the nominee's special investigation unit
- Impact made to the nominee's company
- Positive effect the analytical work had on the insurance industry
- Positive effect the analytical work had on the outside community
- Uniqueness and exceptional qualities of the analytical work

Other factors for the award include an individual analyst's ability to utilize those skills that demonstrate outstanding competencies in strategic and tactical analysis that significantly contribute to investigative results.

### **About IASIU**

Founded in 1984 by a group of insurance industry fraud investigators, the International Association of Special Investigation Units (IASIU) is a non-profit organization dedicated to:

- Promoting a coordinated effort within the industry to combat insurance fraud;
- Providing education and training for insurance investigator;
- Developing greater awareness of the insurance fraud problem;
- Encouraging high professional standards of conduct among insurance investigators; and
- Supporting legislation that acts as a deterrent to the crime of insurance fraud.

It is estimated that insurance fraud costs property and casualty business \$30 billion each year.

Click [here](#) to unsubscribe