## Bank Secrecy Act Records Lead to Funds for Restitution in Insurance Fraud

A series of CTRs proved crucial in identifying bank accounts used to hide proceeds obtained through insurance fraud. The fraud involved a contractor who misrepresented the number of workers in his temporary employment service. Authorities used BSA data to identify assets belonging to perpetrators.

The defendant owned and operated a company that provided temporary employees to businesses in a neighboring state. The company, which changed names a number of times in a span of five years, generally employed over 100 laborers, but only paid insurance premiums based on declarations to insurance companies that the company employed only a little more than 10 laborers.

The scheme primarily involved creating two separate companies on paper. One company would employ approximately 10 percent of the employees and the other the remaining 90 percent. An insurance policy would be purchased only for the small company. The companies had very similar names so that they were able to mislead businesses in the neighboring state into believing the policy covered all employees of both companies. Whenever an employee was injured, the company would either arrange to pay the injured worker to avoid filing a claim, or it would file a claim in the name of the covered company. Over the course of five years, the companies were able to defraud two insurance companies of millions of dollars in premiums.

In late 2005, the defendant was sentenced in U.S. District Court for his part in the scheme to defraud insurance companies of millions of dollars. His sentence included 108 months in prison, and he was ordered to pay in excess of $5 million in restitution to the two insurance companies.

Moreover, evidence at the defendant’s trial showed that he was also engaged in an elaborate scheme to avoid paying taxes on profits from his employment service. BSA data also helped unravel this second scheme.

This scheme was accomplished by creating false business expenses and invoices from fictitious trucking companies. Money was moved from one company account to another, before converting it to currency by cashing checks at a grocery store. The defendant’s company also used fictitious gasoline purchase invoices in its scheme.

The matter was turned over to the investigating arm of the state’s Department of Insurance and ultimately to the U.S. Postal Inspection Service. Federal officers seized or placed under court ordered restraint numerous assets belonging to the defendant including cash, certificates of deposit, vehicles, airplanes, homes and personal assets. The total value of the assets seized approached the amount by which the insurance companies had been defrauded.

A Postal investigator said that by searching BSA information the Postal Service was able to identify two large bank accounts with a total balance of over half a million dollars. He also stated that these two accounts were the largest found belonging to the defendant. Authorities seized the funds in the accounts and designated it for restitution to the insurance companies.

(Investigating Agency: U.S. Postal Inspection Service)

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