

## **Suspicious Activity Report Credited with Revealing Bank Fraud Scheme and Unraveling Auto Insurance Fraud Ring that Nets Principal Defendant Nearly \$1.3 Million and a Nine-Year Prison Term**

In a case initiated from a Suspicious Activity Report (SAR), investigators found perpetrators were operating two separate fraud schemes. The first scheme, a check-kiting fraud, was only possible because of the complicity provided by the chief defendant's wife who worked at the bank where the fraud occurred. In the second scheme, the defendant and a group of co-conspirators defrauded auto insurance companies of more than a million dollars. The SAR on the first scheme led investigators to the discovery of the auto insurance fraud.

Federal and local law enforcement, as well as banking and insurance industry investigators, worked together to crack an auto insurance fraud ring that also engaged in bank fraud. The principal defendant in the case, who owned an auto repair shop, conspired with 10 others indicted in the case as well as with additional un-indicted individuals to defraud at least 12 auto insurance companies of over \$1 million. Many of these same individuals conspired with the defendant to run a check kite through an area bank, which cost the institution nearly \$155,000. A Federal investigator in the case credited a SAR with starting the check fraud investigation that eventually uncovered the conspirators' auto insurance fraud ring.

The defendant admitted that during the period of the conspiracy he and others filed false insurance claims on accidents they had staged as well as accidents that were fictional. Other claims were filed for damage to vehicles that existed prior to the date of the purported accident. Several of the claims involved more than two vehicles. Insured vehicles were variously titled to the defendant, his co-conspirators, their relatives, their associates, or to actual shell businesses they owned or controlled. Many of the vehicles owned by the defendant were titled in the names of nominee owners. The indictment handed down lists at least 12 shell companies created by conspirators solely for the purpose of titling vehicles. In one instance, a conspirator who owned another auto repair shop listed his business as the site of repairs purported to have been made to an insured vehicle. The defendant's brother, an un-indicted co-conspirator, also made claims on insured vehicles he falsely claimed to have repaired at his auto repair shop located in another state. More than 22 insurance claims were made totaling just over \$1 million.

Ironically, the auto insurance ring was broken as a result of an investigation into bank fraud perpetrated by some of the same conspirators involved in the auto insurance fraud ring.

In a period of less than 2 months, the defendants and some of the conspirators deposited a series of checks drawn on their personal and business accounts as well as on the accounts of entities they controlled, written for amounts well in excess of the

collected funds available in the accounts on which the checks were drawn. Shortly after deposits were made, other conspirators presented checks for encashment drawn on the accounts into which the bad checks had been deposited. All of the bad checks deposited were drawn on institutions other than the bank of deposit. Though the bank's policies did not permit immediate credit on checks deposited drawn on other institutions, the defendant's wife, who worked at the bank, ensured that these items received immediate credit. Consequently, the bank lost almost \$155,000 before this check kite was identified and the accounts were frozen. Unfortunately, for the conspirators, the bank contacted a Federal law enforcement agency upon identification of the check kiting and filed a SAR. The ensuing investigation brought down the auto insurance fraud ring.

The SARs that initiated the case describe, in detail, the transactions related to the check-kiting scheme. In fact, the transactions noted in the SAR narrative are included in the indictment. Three counts list multiple checks cashed in a single day with amounts between \$9,500 and \$9,950.

Other SARs associated with the investigation reported structuring activity conducted by various conspirators. The Currency Transaction Reports record the defendant's encashment of negotiable instruments totaling over \$200,000 at several different financial institutions, with the bulk of the funds cashed at money services businesses. The uneven amounts of these negotiable instruments suggest at least some of these items may have been auto insurance claim checks paid to the defendant as a result of the fraud.

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