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The top 12 dumbest insurance fraud cases: Our annual roundup

By: Consumer Insurance Guide staff

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> Coalition Against Insurance Fraud

It's easy to understand why someone might be tempted to commit insurance fraud because the lure of money never ceases.

The state of the economy combined with the draw of "easy money" continues to make insurance fraud a low-risk, high-gain proposition to most criminals.

"The economy is squeezing more and more consumers and forcing growing numbers into a financial bind. This is creating a great deal of temptation for some consumers to seek a financial bailout by bilking their insurance companies with bogus claims. Exactly how much is unclear but there is some evidence that the economy is having an upward effect on insurance fraud," says James Quiggle, director of communications at the Coalition Against Insurance Fraud, a non-profit organization dedicated to fighting insurance fraud.

Even with the hard facts in hand, it's difficult to understand how some fraudsters manage to tie their own shoes, yet alone take part in a lucrative insurance racket.   However, industry estimates show that insurance fraud costs—cheating unsuspecting consumers of nearly $30 billion a year—not that any of the following 12 crooks would have a chance of collecting the proceeds.

The Armenian mob

An Armenian mob boss was convicted of running a massive Medicare fraud ring that netted $163 billion in bogus claims. Armen Karazianis was head of an enterprise that used 118 phony clinics across 25 states that filed Medicare claims for services that were never performed and stole the identities of patients and doctors from clinics.

At one California clinic, for example, the group stole the identities of 2,900 Medicare patients and filed claims for services that were never performed.

The outfit also bribed a hospital employee in New York City to gather patient information, then solicited the involvement of patients by posing as a hospital referral service for crash patients. The group would also stage accidents.

"There's this concept that insurance fraud involves a lot of solo operators, doing one-person schemes all on their own when in fact a large portion of the billions of tens of billions that are stolen every year involved well-organized large gangs with complex operations that are geared toward stealing large amounts of insurance money in a very short period of time," Quiggle says. "Basically insurance fraud is becoming corporatized with assembly line efficiency."

Karazianis received a three-year sentence. Many of his cohorts fled overseas.

11. From arson to mass murder

Although William Craig Miller of Scottsdale, Ariz. thought torching his own house would get him out of his financial problems, that $440,000 insurance claim came with a hefty price—five dead bodies and a death sentence.

Miller's employee, Steven Duffy, helped him with the arson. Police became suspicious after finding gas cans and a burn pattern that indicated gasoline had been poured throughout the house. Duffy and his live-in girlfriend, Tammy Lovell, later decided they would testify against Miller in court.

"He was in debt and having severe financial problems so he torched his luxurious house in Arizona but had made the mistake of hiring his handyman, an employee at his office, to help do the job. The employee got remorse afterwards and was planning to testify against Miller," Quiggle says.

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