

The Perils of Playing Dead for Money:

Indictment of Major Life Insurance Fraud Ring Exposes
the Extent to Which Fraudsters Will Tempt Fate in
Pursuit of Insurance Proceeds



The field of American law is vast and often arcane, but one law rules them all: the law of Karma. In litigation circles, for instance, when an opponent seeks a continuance or extension because she or her loved ones have suffered an injury or illness, most attorneys will not contest the request or demand much in the way of proof. If someone is really going to lie to an opponent and the court about matters of health for short-term procedure benefit, Karma dictates that soon enough they will meet with a fate far worse than a denied motion.

How might one violate the law of Karma even more assuredly than lying about an illness for tactical advantage? How about faking one's own death for financial gain in the form of a life insurance payout. It is hard to imagine a more craven insurance fraud scheme, but thanks to some enterprising Karma-flaunters in Chicagoland, we likely will not have to wait too long to learn the Karmic punishment for playing dead as a source of revenue.

UNITED STATES OF AMERICA V. JAMES MILLS, ET.AL., 1:22-CR-00275 N.D.IL, EASTERN DIST.

The Department of Justice announced on June 2, 2022, that a federal grand jury in Chicago has charged 23 defendants with participating in a fraud scheme through which they allegedly swindled ten life insurance carriers out of at least \$26 million in fraudulent life insurance benefits. The indictment does not name the insurers, referring to them instead by the letters A through J.

According to the May 19, 2022, indictment, the defendants submitted fraudulent applications to obtain life insurance policies in the names of various individuals and then induced the carriers to pay death benefits by knowingly misrepresenting the identity of a different deceased person as the insured. The fraud scheme charged in the indictment began in 2013 and continued until May



2022. Among the defendants are sets of spouses and, in some cases, their children, as well as an insurance agent who owned a side business that performed medical examinations on applicants for term life insurance policies.

THE WAGES OF THE SCHEME: CASH, HOUSES, ROLEXES, AND LUXURY AUTOS

The indictment seeks forfeiture from the defendants of at least \$26 million in alleged ill-gotten gains. It also seeks forfeiture of nine luxury automobiles, eight Rolex watches, and properties in the Chicago suburbs of Orland Park, Bridgeview, and Burbank.

Interestingly, my most recent Law Update column prior to this one explored a Washington state prosecution of insurance fraud involving a claim of a lost Rolex. Perhaps people would be less tempted to commit insurance fraud if they set their sights on simple Timex watches instead?

The indictment charges the 23 defendants with multiple counts of wire and mail fraud. Most of the defendants were arrested in

Illinois and Florida and will be making initial appearances in federal courts in Chicago, Orlando, Tampa, and Miami. As is often the case in prosecution of insurance fraud, the defendants' use of the U.S. mail to further their scheme provided an easy basis for prosecution.

The charges allege that the defendants paid premiums on the fraudulently obtained policies for two years, at which time the period for contestability expired, making it more difficult for insurance companies to decline death benefit claims. Under Illinois law, after two years a life insurance policy essentially become incontestable except for non-payment of premium. After the two-year window of contestability closed, the defendants would then submit fraudulent death benefit claims, using records that falsely identified a different deceased person as the insured. To support the fraudulent claims, the schemers obtained false death certificates in the names of the insureds and made false representations about the deceased person to law enforcement, first responders, medical personnel, funeral home staff, and cemetery employees.

This case is in its infancy, but the indictment is very specific and speaks to what is very likely a considerable weight of evidence supporting the allegations. The basic facts certainly would not seem difficult to prove. If you submitted someone else's death certificate to a life insurer in support of a claim that you are dead when in fact you are alive and well enough to cash that death benefit check, you my friend are in trouble.

It seems very likely that defendants will begin to plead guilty and cooperate with the government in exchange for leniency. There is an age-old adage that Karma is a you-know-what, and in this case in particular, those defendants who are too slow to take leniency deals will probably wish they really were dead. Stay tuned to this column for updates.

ABOUT THE AUTHOR

Eric W. Moch, a partner in the Chicago office of HeplerBroom, LLC, focuses his practice on organized medical fraud and insurance fraud, including organized activity and staged losses, as well as first- and third-party coverage and bad faith defense. Mr. Moch counsels and represents national insurers, businesses, not-for-profit organizations and individuals in a variety of matters and litigated disputes. His insurance fraud practice entails the defense of insurers and their insureds against fraudulent claims at trial and the pursuit of civil recoveries for insurance carriers resulting in recoveries against medical fraud perpetrators. He has extensive civil litigation experience in Illinois state and federal courts, including in excess of fifty jury verdicts, victorious oral arguments before the Illinois Supreme Court and Seventh Circuit U.S. Court of Appeals and several published appeals. He is a former national board member of the National Society of Professional Insurance Investigators and is the former President of the Illinois chapter. Mr. Moch has also held several positions in the insurance industry, including as a founding member of a Special Investigations Unit for an international insurer, a role in which he investigated alleged fraudulent claims across a wide range of insurance lines. Mr. Moch can be reached at (312) 205-7712 and at eric.moch@heplerbroom.com

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