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51 to Face Charges in Auto Insurance Fraud Roundup

■ Investigation: Cases involve losses of more than \$45 million to policyholders in Southern California, Dist. Atty. Reiner says. More arrests are expected.

By LOIS TIMNICK
TIMES STAFF WRITER

Fifty-one people, including a Century City physician and the alleged leaders of two of the largest and oldest automobile insurance fraud rings in Southern California, face criminal charges after what authorities touted Wednesday as the nation's biggest roundup of its kind in history.

Dist. Atty. Ira Reiner said the charges, stemming from four cases pieced together by a multi-agency Auto Insurance Fraud

Task Force formed last year, represent a loss of more than \$45 million to car insurance policyholders in Southern California.

Calling Los Angeles "the auto insurance fraud capital of the United States," Reiner said that more than 100 other suspects in 30 other rings are under investigation, with more charges and arrests expected. He said that 50 cents of every dollar paid in auto insurance premiums go to such scams.

"Automobile insurance fraud is a multibillion-dollar underground industry," Reiner said at a news

conference Wednesday. "It is dominated by cappers and ring-leaders who stage phony accidents, organize and train people to fabricate non-existent injuries and enlist new recruits into their organizations."

"It is supported by a cadre of unscrupulous attorneys, doctors and other health care professionals who knowingly participate and are willing to look the other way from the enormous losses they are inflicting on the public," he said.

Reiner said 20 of 24 defendants accused of participating in the 10-year-old "Crenshaw Cafe Ring," believed to be the oldest of its type in Los Angeles, were arrested Tuesday. They included Keith Aaron Hayes, also known

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LARRY BESSIE / Los Angeles Times
Two members of multi-agency task force escort a suspect in auto insurance fraud case into Terminal Annex on Wednesday.

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 as Jamil Shabazz, 37, proprietor of the Crenshaw Cafe on Crenshaw Boulevard.

On Wednesday, police arrested 18 of 20 people charged in connection with the "8th Street Gang Ring"—the largest such ring—which ran an insurance fraud operation believed to have staged at least 1,000 phony traffic accidents during the last five years and caused losses to policyholders of more than \$15 million.

Among those arrested were two alleged ringleaders, Juan Pablo Vela, 28, and Xavier (Francisco) Luzarraga, 32, and Dr. Francisco Recalde, 46, who operated one of two medical clinics allegedly set up by the defendants to help them push phony insurance claims through the system.

Century City physician Gershon W. Hepner, 52, who with two assistants was indicted earlier this month for submitting fraudulent insurance claims in a separate operation, was arraigned early Wednesday in Los Angeles Superior Court. He is accused of making \$8 million in phony claims.

Bail for the defendants ranged from \$500,000 to \$1 million. If

convicted, they face maximum terms of 12 years in prison.

In a fourth case, former attorney Jack Zaret, 40, who gave up his license to practice during the investigation, has arranged to surrender Oct. 25. An associate of Zaret was arrested Wednesday, and arrangements were made for the surrender of two other associates who were located in other states.

Reiner said the four operations

scam, a car with insurance—"the bull"—rams into a car filled with passengers—"the cow"—causing myriad sham injuries. The insured car is often a junker that was insured without being examined, giving rise to phony medical and collision claims.

In paper accidents, Reiner explained, participants recruited off the street are given scripts and rehearsals so that they can recognize each other and give the same

from the neighborhoods where they operate, who typically receive \$500 to \$1,500, he said.

Ringleaders not only orchestrate the accidents but also recruit crooked doctors, technicians, lawyers and others to assist in filing the fraudulent claims, Reiner said.

The task force, which includes the district attorney's major fraud division and bureau of investigations, the California Department of Insurance's fraud bureau, the California Highway Patrol and the U.S. Postal Inspection Service, was formed to break up the rings.

Undercover agents infiltrated the ring and conducted sting operations resulting in the arrests.

Reiner said he will prosecute the defendants to the fullest extent, noting that "whether you steal money wearing an expensive suit or a cheap mask, crime is crime."

He blasted insurance companies for failing to properly investigate spurious claims, saying that until coming under pressure to lower rates under Proposition 103, carriers simply settled claims and passed the cost to consumers in the form of higher premiums.

"That has begun to change," he said. "Insurance companies are getting serious about fraud."

'Automobile insurance fraud is a multibillion-dollar underground industry.'

DIST. ATTY. IRA REINER

involved staged traffic accidents and more sophisticated "paper accidents" in which carefully drafted scripts, not actual automobiles, were involved.

He described accident scams known as "squats" and "bulls and cows." In a squat, a car pulls in front of an innocent driver and stops suddenly, forcing the unsuspecting victim behind to rear-end it. In another variation, in which both automobiles are part of the

version of events when questioned later about the "accident."

Reiner said the rings were able to slip hundreds of fake claims through the system because they involved relatively small amounts of money—less than \$25,000—and were quickly settled by insurance companies for equally small amounts to avoid lengthy and costly litigation.

The rings recruit a steady stream of phony claimants, usually