

Insurance Fraud by Insurers

Insurance fraud is not limited to fraud by insureds against their insurers or claimants defrauding people who are insured. Much to the shame of the insurance industry, the reverse also happens.

The poster child of fraud by an insurer was Martin Frankel who created a scheme he masterminded to “loot” more than \$200 million from seven insurance companies that he controlled. Franklin American Corporation, and its wholly owned subsidiary, Franklin American Life Insurance Company were controlled by another entity, a Tennessee trust named the Thunor Trust. The Trust had purchased an 85% interest in Franklin American in 1991. In subsequent years, the Thunor Trust purchased five other insurance companies, which were domiciled in the states of Mississippi, Missouri, and Oklahoma.

Between June 29, 1999 and January 14, 2000, the insurance companies were ordered into liquidation by the courts in the four states in which they were domiciled. Martin Frankel, the man who allegedly controlled a financial empire that included the insurance companies, a securities trading firm, a non-profit foundation, and the Thunor Trust, was indicted in both state and federal courts for fraud, criminal conversion, and for allegedly looting at least \$215 million from the assets of the insurance companies.

Frankel’s scheme to defraud the insurance companies, those it insured, and its investors began in 1991, lasted nearly ten years, involved the participation of dozens of co-conspirators, and ultimately resulted in the insolvency of the Insurance Companies.

Frankel was convicted of multiple crimes. Because Frankel’s enterprise was not limited and also included market research, running insurance companies, gathering data concerning financial markets, and conducting “special projects” activities, all of which provided ample links between the members of the enterprise which extended beyond the commission of the crime, caused the defendant to be convicted and the conviction to be affirmed.



Barry Zalma

Barry Zalma, Esq., CFE, now limits his practice to service as an insurance consultant specializing in insurance coverage, insurance claims handling, insurance bad faith and insurance fraud almost equally for insurers and policyholders. He also serves as an arbitrator or mediator for insurance related disputes. He practiced law in California for more than 44 years as an insurance coverage and claims handling lawyer and more than 54 years in the insurance business. He is available at <http://www.zalma.com> and zalma@zalma.com



Over the last 55 years Barry Zalma has dedicated his life to insurance, insurance claims and the need to defeat insurance fraud. He has created the following library of books and other materials to make it possible for insurers and their claims staff to become insurance claims professionals.

Barry Zalma, Inc., 4441 Sepulveda Boulevard, CULVER CITY CA 90230-4847, 310-390-4455; Subscribe to Zalma on Insurance at locals.com <https://zalmaoninsurance.local.com/subscribe>. Subscribe to Excellence in Claims Handling at <https://barryzalma.substack.com/welcome>. Go to the podcast Zalma On Insurance at <https://podcasters.spotify.com/pod/show/barry-zalma/support> Write to Mr. Zalma at zalma@zalma.com; <http://www.zalma.com>; <http://zalma.com/blog>; I publish daily articles at <https://zalma.substack.com>. Follow Mr. Zalma on Twitter at <https://twitter.com/bzalma>; Go to Barry Zalma videos at Rumble.com at <https://rumble.com/c/c-262921>; Go to the Insurance Claims Library – <https://zalma.com/blog/insurance-claims-library/> to consider more than 50 volumes written by Barry Zalma on insurance and insurance claims handling.

Go to Zalma’s Insurance Fraud Letter at [https://zalma.com/zalmas-insurance-](https://zalma.com/zalmas-insurance-fraud-letter-2/)

[fraud-letter-2/](https://zalma.com/zalmas-insurance-fraud-letter-2/)

Follow Mr. Zalma on Twitter at <https://twitter.com/bzalma>

Go to Barry Zalma videos at Rumble.com at <https://rumble.com/c/c-262921>

Go to Barry Zalma on YouTube- <https://www.youtube.com/channel/UCysiZkIEtxZsSF9DfC0Expq>

Go to the Insurance Claims Library – <https://zalma.com/blog/insurance-claims-library/>

and GTTR at <https://gettr.com/@zalma>