

Long Jail Term for Crooked Insurance Agent: Claimed Comp for Phony Policy Sales

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In February 2020, the Ninth Circuit Court of Appeals in *United States v. Gagarin* affirmed the conviction of Karen Gagarin for her role in a conspiracy to commit wire fraud and aggravated identity theft relating to fraudulent life insurance applications. The not-so-clever scheme took advantage of American Income Life Insurance Co.'s system for compensating agents for insurance policy sales.

American Income Life allowed its agents, including Gagarin, to receive an advanced commission and bonus for each policy sold, based on a percentage of the premiums that the policy would be expected to generate during the year. Gagarin and her co-conspirator agents paid premiums out of pocket from different bank accounts opened specifically to pay into the policies for about four months. By waiting four months before defaulting on a policy, the conspirators intentionally avoided being charged back their unearned advances. Gagarin and the other agents pocketed the difference between their advanced compensation and the premium payments.

The court found that Gagarin and her conspirators went to extra lengths to convince American Income Life that the fraudulent policies were legitimate. Their tactics included: (1) forging electronic signatures on applications; (2) misrepresenting applicant information to increase the likelihood of policy issuance; (3) impersonating applicants from cellphones to verify the applicants' identities to American Income Life; (4) impersonating applicants in medical exams through the creation of fake driver's licenses; and (5) encouraging friends and family to sign up for fraudulent policies in return for free medical exams.

In upholding Gagarin's 36-month prison sentence, the Ninth Circuit affirmed the application of a "manager or supervisor" sentencing enhancement and the imposition of a restitution order requiring Gagarin and her co-conspirators to repay the full loss suffered by American Income Life.