



## **Using and Abusing: Methamphetamines Effect on Insurance Fraud**

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## Executive Summary:

Methamphetamines are America's fastest growing and most disturbing illegal drug problem today. They cause devastating effects on families, communities and businesses across the country, including the insurance industry. The use and abuse of methamphetamines has grown in epidemic proportions in the past decade becoming more and more pervasive in American communities. It was initially believed to be a regional problem, originating from Mexico and primarily affecting the West Coast; in recent years, however, the drug has rapidly spread eastward greatly affecting Midwestern and Southern states and most recently creating problems in the Northeast.

The reasons for meth's intensely growing popularity is that it is cheaper than other drugs, offers a longer lasting high and is extremely addictive. More than 12 million Americans have tried meth, and 1.5 million are regular users, according to federal estimates. In a survey of 500 Law Enforcement agencies across 45 states, released in July 2005 by the National Association of Counties, 58% said meth is their biggest drug problem, compared with only 19% for cocaine, 17% for Marijuana and 3% for heroin.

Methamphetamines have been garnering national attention recently not only because of the serious drug and health risks they pose but because they have been linked and implicated in almost every type of crime, including insurance fraud. NICB investigators have seen meth involved in many forms of insurance fraud from auto theft and ID theft to arson and filing false claims. Meth is a highly addictive drug in which those trying it for experimentation can quickly become daily users and require greater doses to achieve the same high. Many users resort to insurance fraud and other crimes to support their habit.

This Report, researched and organized by the NICB Strategic and Tactical Information Department and the Training Department with contributions by NICB investigative and industry experts, was created exclusively for NICB members to introduce them to the scope of methamphetamine-related fraud. It discusses actual cases involving NICB investigations as examples of how pervasive meth has become in insurance fraud, analyzes key criminal motives, describes common fraud schemes used by meth users affecting NICB members, and offers suggestions on how member companies can identify, prevent, and handle methamphetamine-related insurance fraud.

## *So what is Meth?*

Methamphetamines are man-made stimulants that are produced and sold illegally. They come in many different forms such as powder, clear chunky crystals and pills which can be snorted, injected, smoked or orally ingested. They affect the central nervous system triggering the brain to release a surge of dopamine that creates a high that lasts for hours longer than any other drug. They are also extremely addictive. It is possible to become addicted to meth after only one use. The withdrawal symptoms of meth are also more intense and longer lasting than both speed and cocaine; and chronic use can damage critical dopamine receptors in the brain making recovery harder than any other drug. On the street it is called meth, crystal, crank, tweak, ice, glass, tina, and many other names; and users are often known as “tweakers.” The following pictures show some of the different forms in which meth can be found:



Methamphetamines are unique in that unlike other drugs they can be made at home using fairly simple recipes found on the internet. Some ingredients include ephedrine or pseudoephedrine, red phosphorous, hydrochloric acid, anhydrous ammonia, drain cleaner, battery acid, lye, lantern fuel and antifreeze. Methamphetamine components are not hard to find; ephedrine and pseudoephedrine are found in many over-the-counter cold medicines, which are available in most any grocery store, drug store and convenience store. The other ingredients can also easily be found in many stores.

Methamphetamines are “cooked” and processed in make-shift “labs”. The laboratories can be anywhere; a home, an apartment, a detached building on a property, in motel rooms, in vehicles, anywhere. The chemicals used can be dangerous all on their own; however, for every pound of meth produced, there is also 5 to 7 pounds of toxic waste created. The chemicals are often flammable, explosive, and corrosive and produce inhalation dangers that can be deadly.

## How Meth Destroys the Body

Methamphetamines offer an intense high as well as increased energy, focus, confidence, and feelings of desirability. This can cause some users to become addicted after only one use and need more and more of the drug to create the same effect. Meth triggers a release of dopamine, a neurotransmitter that controls pleasure, in the brain which creates a sudden “rush” of pleasure followed by a euphoric high that can last between six and 12 hours. As it wears off, users experience profound depression and feel they need to keep taking the drug to avoid the crash. This can lead to long “runs” where users continually take meth for days at a time. Chronic use, however, has a harsh effect on the mind and body.

## Meth and the Brain

With continual use, meth can actually change the chemistry of the brain by damaging critical pleasure controls and making it increasingly impossible to experience pleasure at all. These tissues can re-grow over time after the drug use has stopped; however, it can take years for this to occur and may never fully repair. This is one reason recovery is so difficult. Meth also causes the brain to release high doses of adrenaline. This produces anxiety, wakefulness, and intensely focused attention, known as “tweaking.” When tweaking, users exhibit hyperactive and obsessive behavior. Chronic usage can also bring about psychotic behavior such as paranoia, aggression, hallucinations and delusions.

## Meth and the Body

Meth abuse can wreak havoc on a users’ physical appearance. Heavy usage can weaken blood vessels making tissue more prone to damage as well as inhibiting the body’s ability to repair itself. Sores take longer to heal, acne can appear and the skin loses its luster and elasticity making users appear years or decades older. Some users are also affected by formication, a disorder that leads to excessive skin-picking as the result of hallucinations of having bugs crawling beneath the skin. Meth use also creates an increase in physical activity while suppressing the appetite which leads many heavy users to become gaunt and frail.

Meth use also leads to excessive teeth-grinding, poor diet and bad hygiene; all of which have a very negative effect on a user’s teeth causing extreme tooth decay with blackened, stained, or rotting teeth. This condition is known as “meth mouth” and the cause has been linked to a combination of side effects of meth use. Meth use produces “dry mouth” where there is not enough saliva in the mouth to protect the teeth from the mouth’s harsh acids and bacteria. These acids eat away at the teeth and gums creating cavities which are then exacerbated by common behaviors in users such as a strong desire for sugary foods and drinks, excessive tooth grinding and general bad hygiene.

Chronic meth use can also have other effects on the body such as increased heart rate, weakened immune system, liver damage, convulsions, rises in body temperature that can cause brain damage, stroke and even death.

Meth is an especially dangerous drug because of its harsh effect and extremely addictive nature. Users often become obsessed with the drug and think of nothing but how and where to get their next hit. Because of this, they resort to many different crimes, including insurance fraud, in a search for the money needed to support their habit.

### *Meth Addicts Schemes*

#### *Basic Insurance Fraud*

Meth users need for easy money has led many to commit insurance fraud. One of the most basic ways they do this is through filing false claims. NICB agents and analysts

have received reports of meth users filing false claims for burglaries, vehicle thefts, property damage, and worker's compensation to support their habit. While this is an easy way for addicts to commit insurance fraud, they also engage in more serious and more sophisticated types of fraud that yield much higher profits.

### *Identity Theft*

A unique phenomenon has developed between meth addicts and identity theft with many users becoming quite versed in how to use identity theft to their advantage. The most common way they commit these crimes begins with mail theft. In some cases, meth users have developed identity theft rings where street addicts will pilfer mailboxes and go through dumpsters searching for personal information such as credit card statements, account statements, checks, social security numbers, and any other useful identity data that they can then trade for meth. Others in the ring will then use this data to commit credit card fraud through the internet and also to forge checks, create fake IDs, and Social Security Cards. Fraudulent insurance cards have also been found in these meth-fueled identity rings.

The nature of meth fits well with this type of identity theft because "tweaking" gives them the increased energy and concentration needed to spend hours going through mail, scanning the internet, creating fake IDs, forging checks and so on. New laws requiring pharmacies to check IDs and track people's purchases of ephedrine and pseudo-ephedrine products also increases meth addicts desire to commit identity theft to create fake IDs in order to purchase more meth ingredients.

Identity theft has long been associated with insurance fraud. Many meth addicts are involved in identity theft and already have access to the fake ids, social security numbers, etc. that could be used to abuse the insurance industry as well.

### *Vehicles, Vehicles and More Vehicles*

Stealing vehicles is also a highly lucrative crime for meth addicts. Stolen vehicles can be traded for meth, broken down to sell parts, used as mobile meth labs, or re-tagged and sold; all to feed a methamphetamine addiction.

#### *Basic Vehicle Theft*

Street addicts commit basic vehicle theft for a variety of reasons. They will steal a vehicle to trade for meth at a known chop shop. Or, they will steal a car while on a binge to use for a few days, take any valuables out of it, and then abandon it. Also, for those able to manufacture meth, stolen vehicles will be used as portable meth labs either setting up the lab in the trunk or even "cooking" meth on the engine block.

A San Diego Association of Governments (SANDAG) study shows a correlation between meth use and motor vehicle theft where 60% of individuals arrested for motor vehicle theft charges in the area tested positive for meth at the time of arrest, compared to 34% for other charges. This drug-crime relationship drastically affects the San Diego area, where the value of stolen vehicles reached over \$144 million in 2004, as well as the rest of the country.

### *Chop Shops*

Another profitable form of vehicle-related fraud for meth users are chop shops. This is a much more organized form of insurance fraud. They set up locations, sometimes as supposed legitimate repair shops, where they will dismantle stolen vehicles and sell off the vehicle's parts piece-by-piece. More and more, NICB agents are finding meth labs on the same property as the chop shops they are investigating. Oftentimes, chop shop owners will manufacture meth to give to an addict in exchange for stolen vehicles creating an ongoing ring of criminal activity.

### *Cloned Vehicles*

Retagging stolen vehicles is yet another way meth users can profit from stolen vehicles. Similar to the fake documents created for identity theft, many meth users can create the fraudulent titles and VIN tags needed to clone a vehicle. They will then sell the vehicle to an unsuspecting person and make off with thousands of dollars to support their habit.

### *Meth Labs*

The occurrence of make-shift, or "mom and pop," meth labs has skyrocketed in the last decade. Ten years ago, the majority of meth in America was smuggled in from Mexico, with the rest coming from small meth labs run by delinquent biker gangs. As meth's popularity increased, however, many users began setting up their own labs to manufacture or "cook" meth. These labs were relatively easy to establish. Basic meth precursor chemicals could be found in cold medicines, lye, lantern fluid, gas line additives, etc. which could be found at local stores. Hundreds of "recipes" can be found on the internet and the equipment needed to manufacture meth was also easy to obtain at local stores. Meth labs began showing up in hotels, rental properties, motor homes, and vehicles. The chemicals and processes used to "cook" meth are very volatile and harmful and pose an extreme risk to people nearby, the environment and the insurance industry.

### *Fires, Arson and Property Damage*

Meth labs require highly hazardous materials and are oftentimes run by inexperienced, high, meth addicts putting them at a significant risk for explosion or fire. Approximately 15 percent of meth labs are discovered as a result of a fire or explosion. Meth lab fires can affect the insurance industry in a number of ways. There are the many injuries that can occur from operating a meth lab. The chemicals used can cause inhalation problems and chemical burns. People near a meth lab can be affected by the toxic fumes it creates as well. When these labs explode, they can cause all manner of burns and various injuries.

The most notable threat to the insurance industry involves the property damage that can result from a meth lab and from the fires they can cause. For every pound of meth manufactured, five to seven pounds of toxic waste such as corrosive liquids, acid vapors, heavy metals, solvents and other harmful materials are also created. This waste

“can cause disfigurement or death when contact is made with skin or breathed into the lungs.” This waste needs to be disposed of properly but is usually dumped on the ground outside, in nearby streams or in public parks. This toxic waste poses a severe threat to the environment because it can soak down into a stream bed and infect local water sources. Because of the toxic fumes and the toxic waste created by meth labs, former meth lab locations are often deemed hazardous material sites. These sites by law must be properly cleaned and the costs of this can range from \$5,000 to \$150,000 depending on the size of the lab. When these labs occur on rental property where the owner is unaware, they often file claims with their insurance company to cover the damages. The same is done when meth labs explode and insureds file claims for the damage.

Meth labs and the chemicals they use pose danger before, during and after the production of the drug. The health effects of exposure to a meth lab vary depending on the size of the lab and the specific chemicals used. The chemicals can enter the body by being breathed, eaten or absorbed through the skin. Acute exposure over a short period of time can include shortness of breath, cough, chest pain, dizziness, lack of coordination, chemical irritation, and burns to skin, eyes, nose and mouth. In some cases with particularly toxic chemicals, acute exposure can lead to death. First responders and law enforcement that enter a site before it has been properly cleaned and ventilated are most at risk. However, the harmful chemical by-products can remain on surfaces for months or years if not properly cleaned and chronic exposure can lead to chest and respiratory problems, liver and kidney damage, neurological problems and an increased risk of cancer. This has been known to happen to people who unknowingly moved into locations that were former meth labs.

The following are some pictures of meth lab fires and the toxic waste they produce:





Arson can also be a problem. Some meth labs are purposely set on fire so that the owners can collect the insurance money and move to a new location or to try to hide the evidence of what they were doing. Insurance companies need to be aware of this threat so they can properly investigate a fire claim to ensure they are not paying out on false claims.

### *Legislation*

In response to the growing concern over meth abuse, legislation was recently passed to help fight the problem. On March 15, 2006, President Bush signed the Combat Meth Act, as part of the Patriot Act, into law. This law restricts the sale of cold medicines containing ephedrine and pseudo-ephedrine, both precursor ingredients for meth, by limiting the amount that can be sold per day and per month as well as requiring stores to relocate the products behind a counter and have customers sign a logbook tracking their purchases. Prior to this, some states had initiated similar laws but it was not done on a national level. In addition, this law imposes tougher penalties on meth cooks, provides funding to state and local law enforcement for training to combat meth, provides services for children affected by meth and addresses the issues of the importation and exportation of meth ingredients and the environmental concerns associated with the hazardous by-products of meth production. This act has been described as “the toughest, most comprehensive anti-meth legislation ever introduced in the Congress” according to Sen. Talent, one of the act’s strongest supporters. Supporters of the bill hope to see a dramatic decrease in the number of meth labs. Critics, however, believe that with demand still high this will lead to a marked increase in meth, specifically crystal meth, smuggled in from Mexican drug cartels as well as increase in the smuggling of cold medicines and other precursor ingredients that are becoming more and more difficult to attain.

### Recommendations and Warnings:

Meth labs can be set up nearly everywhere and it is important to know how to spot a meth lab and what to do when you find one.

Meth labs are usually a collection of chemicals, bottles, hoses and pressurized cylinders and can be highly explosive due to the toxic chemicals often left behind.

As noted above a meth lab can be anywhere and have been known to include, but not limited to:

- Hotel/Motel Rooms
- Houses
- Out buildings on a property
- Garages
- Commercial Buildings
- Vehicles
  - Trucks
  - SUVs
  - Automobiles
  - Trailers
- Remote areas (such as someone's 'back 40" on a property)
- Camping Areas
- Abandoned Buildings

Indicators of a meth lab:

- unusually strong chemical odors similar to cat urine and nail polish remover
- a large amount of cold medicine and cold medicine packaging containing ephedrine or pseudo-ephedrine as an ingredient
- excess coffee filters
- bottles containing sulfuric, hydrochloric or muriatic acid
- bottles or jars with rubber tubing attached
- glass cookware or frying pans with a powdery residue
- a large number of cans of Camp Fuel, paint thinner, acetone, starter fluid, lye, match books, and drain cleaners
- large amounts of lithium batteries or battery casings
- Propane tanks with fittings that have turned blue.
- Be on the lookout for things that don't add up such as coffee filters in a kitchen with no coffee maker, etc.
- Residences with windows blacked out
- Iodine or chemically stained bathroom or kitchen fixtures
- Renters who pay their landlords in cash
- Increased activity, especially at night
- Excessive Trash, especially antifreeze containers, lantern fuel cans, red chemically stained coffee filters, drain cleaner and duct tape
- Unusual structures

What to do if you find a meth lab:

- Contact local law enforcement
- Do Not touch anything
- Stay away until the scene is cleared and properly cleaned

Signs of someone using meth:

Meth users can be extremely unpredictable and sometimes violent. It is important to recognize when someone is using and exercise caution when approaching or talking with them. It is important for SIUs to keep this in mind when conducting investigations and interviews.

When users are **tweaking**, they can't sit still and have a lot of nervous activity. Their pupils look blown out and they wear very dark sunglasses outside and often inside since the light hurts their eyes.

Other signs someone is using meth include:

- sores on body
- rotting teeth
- accelerated aging
- oily hair
- thin, sunken in look
- over exaggerated or nervous behavior
- violent behavior
- paranoia