



**United States Department of Justice
United States Attorney's Office
District of Minnesota**

**B. Todd Jones,
United States Attorney**

**Jeanne F. Cooney
Director of Community Relations
(612) 664-5611
email: jeanne.cooney@usdoj.gov**

News Release

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Eden Prairie man charged with conning insurance company out of \$7 million

Earlier today in federal court in Minneapolis, a 34-year-old Eden Prairie man was charged with defrauding an insurance company out of at least \$7 million by submitting false claims. Travis Magdalena Scott was charged via an Information with one count of wire fraud and one count of money laundering.

From June to December of 2008, Scott allegedly submitted false insurance claims to Zurich North America and then used the proceeds for personal gain. Scott had an insurance policy with Zurich North America for his business, Security Management Technologies. The insurance policy covered both the property of the business, which included supercomputers, and business interruption due to loss of use of that property. If the property was damaged, Scott had the option of taking the "cash value of the property," as determined by Zurich, or a "replacement option," which entailed replacing the property up to the policy limit of \$9.5 million.

On June 1, 2008, approximately one year after obtaining the insurance policy, Scott reported to Zurich that his business had been struck by lightning and had sustained significant damage. Scott also told Zurich he wished to exercise the "replacement option" on his policy for up to the \$9.5 million policy limit. Later that month, Scott purportedly began ordering replacements for the damaged supercomputers. He subsequently represented to Zurich that a new computer system had been delivered, and based on those misrepresentations, the company delivered three checks to Scott, totaling approximately \$9.5 million. However, Scott did not use the insurance money to buy replacement computers but, instead, kept it and used it for personal gain, including the purchase of a Beech aircraft.

Zurich also paid Scott more than \$1.9 million for business interruption. That figure was based in part on the profits of Scott's company, as reported in his 2007 tax return. The tax return Scott gave to Zurich, however, was falsified..

On November 16, 2010, law enforcement executed search and seizure warrants at Scott's home and airport hanger in Eden Prairie, as well as on various bank accounts and other property. The Internal Revenue Service-Criminal Investigation Division ("IRS-CID") seized three aircraft, a boat, three vehicles, and more than \$5 million from various bank accounts, all as proceeds of the fraud. The United States is seeking forfeiture of all of these items.

If convicted, Scott faces a potential maximum penalty of 20 years in federal prison for wire fraud count and ten years for money laundering. All sentences will be determined by a federal district court judge.

This case is the result of an investigation by the Insurance Fraud Division of the Minnesota Department of Commerce, the IRS-CID, and the Federal Bureau of Investigation. It is being prosecuted by Assistant U.S. Attorney Nancy E. Brasel.

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A defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.