

CHIEF FINANCIAL OFFICER
JEFF ATWATER

FLORIDA DEPARTMENT OF FINANCIAL SERVICES



Florida Department of Financial Services Division of Insurance Fraud



ANNUAL REPORT

FISCAL YEAR 2013/2014

OUR MISSION

TO SERVE AND SAFEGUARD THE PUBLIC AND BUSINESSES OPERATING IN
THE STATE OF FLORIDA AGAINST ACTS OF INSURANCE FRAUD.



MISSION

The Division of Insurance Fraud, guided by our values, will serve and safeguard the public and businesses operating in the state of Florida against acts of insurance fraud.

VISION

The Division of Insurance Fraud, guided by our commitment to excellence, will strive to be the premier insurance fraud unit in the nation, leading the way in education, detection, and prosecution of insurance fraud cases.

VALUES

Professionalism

We conduct ourselves in a professional, ethical, and courteous manner at all times. We maintain a high level of integrity. We encourage professional and individual growth through training opportunities.

Accountability

We are held accountable for our own actions or inactions. We continuously search for more efficient ways of processing our work.

Commitment

We promote excellence and provide quality services to the public and our partners. We recognize that we are here to serve the public and private sector as well as other law enforcement agencies. We consider that to be an honor.

Teamwork

We effectively communicate with our peers, supervisors and members of the public. We are respectful to our co-workers and members of the public. We evaluate and elicit other opinions and contributions. We pledge to share our knowledge and to assist each other in achieving the mission of the agency.

DIRECTOR'S MESSAGE



The Florida Division of Insurance Fraud's (DIF) commitment to safeguarding Florida's residents from the detrimental impact of insurance fraud has never been stronger. Operating under the direction of Chief Financial Officer Jeff Atwater and Deputy CFO Jay Etheridge, and with their unwavering support, the Division successfully completed another exceptional year.

The statistics found in this year's annual report affirm the Division's impact in the fight against insurance fraud in our state. We remain committed to finding new ways of increasing our effectiveness to combat current trends in the evolving landscape of insurance fraud nationwide.

Evidence of our commitment is made clear by successes seen in the fight against Florida's largest criminal trend, personal injury protection (PIP) fraud. In part due to legislative changes, and thanks to the dedication of DIF and its partner agencies, Florida saw a 10 percent decrease in the rate of PIP fraud during fiscal year 2013/2014.

Reductions in South Florida, together with a rising trend of PIP activity in Jacksonville, led the Division to reorganize its efforts in July, 2013. A new PIP squad was created in Jacksonville to address this increase while the Tampa PIP squad was able to shift its focus to other forms of insurance fraud as a result of the decrease of PIP fraud in the area.

Additionally, in an effort to extend its reach through valued partnerships, the Division united with the National Insurance Crime Bureau and the Florida Highway Patrol to provide PIP and staged accident training to Florida Highway Patrol academy recruits.

Solidifying our goal to recruit and retain the best talent available, several high-performing members of our team were promoted this year. Laquanda Green, John Savino, Edward Johnson, and Missael Diaz were promoted to the rank of lieutenant, and Rafael Delgado was promoted to captain of the South Central Region.

This year, several team members were recognized and rewarded for their dedication: Detective Dwight Murphy was twice nominated, with the International Association of Special Investigative Units' Public Service Award and the State Law Enforcement Chiefs' Association's (SLECA) Leadership Award. Detective Tommy Clark received SLECA's Investigator of the Year Award and Detective Billy Brantley received the Florida Insurance Fraud Education Committee's Law Enforcement Detective of the Year Award.

Four Floridians were rewarded with a total of \$35,000 as part of our anti-fraud program, for providing key information that led directly to arrests and convictions in several major cases. These consumers helped uncover nearly \$3.7 million in fraudulent financial activity leading to 17 convictions. To date, the department has awarded more than \$340,000 to 50 consumers as part of this program.

With the continued support of our partners in the law enforcement, regulatory and insurance communities, I look forward to even greater success in the year ahead.

A handwritten signature in black ink that reads "S. Blank". The signature is stylized and cursive.

Director Simon Blank
Division of Insurance Fraud

Since its inception in 1976, the Division of Insurance Fraud has served as a national leader in the fight against insurance fraud, continuously ranking in the top five among all states' fraud bureaus and divisions in every key measurement of success established by the Coalition Against Insurance Fraud.

Fiscal Year 2013/2014 Statistics

16,063 Suspected Fraud Referrals

1,465 Arrests

1,575 Cases Presented for Prosecution

1,250 Convictions

\$55,354,328.88 in Restitution Requested

\$50,490,520.79 in Court Ordered Restitution



PANHANDLE REGION

Panhandle Case Highlights

Highlight #1

After a referral was received from an insurance company regarding a licensed insurance agent, DIF's Tallahassee office launched an investigation into the agent's alleged activity. It was determined that the agent had manipulated applicant information on life insurance policies in order to collect more than \$88,000 in illegal commissions. The agent surrendered his professional license following his arrest for grand theft and operating a scheme to defraud.

Highlight #2

A referral was received from a local health insurance provider about suspicious activity at an orthopedic clinic. DIF's Tallahassee Office launched an investigation that discovered that a clinic employee had illegally received more than \$23,000 in fraudulent health insurance reimbursements by falsifying documentation for doctor's visits and services that never occurred. She was arrested and now faces more than 50 individual criminal counts, including counterfeiting, insurance fraud, forgery, grand theft, and operating a scheme to defraud insurers.

Highlight #3

Tallahassee and Pensacola DIF offices teamed up to identify a staged auto accident ring operating out of Calhoun County. Partnering with the Calhoun County Sheriff's Office, DIF personnel executed six arrest warrants in this scheme to defraud insurers. An illegal meth lab on their property was discovered during the execution of a search warrant resulting in additional charges.

Highlight #4

The CEO of a local professional employer organization grew suspicious of a business associate and reached out to the Pensacola Office for assistance. An investigation determined he was involved in large-scale workers' compensation fraudulent activity centered on providing labor to commercial golf courses. A complex criminal scheme was identified in which the individual collected more than \$633,000 in cash he was not lawfully entitled to obtain. As a result, an arrest warrant was issued for the suspect for violations of the Florida Communications Act, scheme to defraud, grand theft, and worthless check violations. The suspect was convicted of 15 counts of wire fraud and is currently in federal prison serving seven years.



PANHANDLE REGION

Captain David Lindsay

Counties served: Bay, Calhoun, Escambia, Franklin, Gadsden, Gulf, Holmes, Jackson, Jefferson, Lafayette, Leon, Liberty, Madison, Okaloosa, Santa Rosa, Taylor, Wakulla, Walton, Washington

PENSACOLA FIELD OFFICE

850-453-7802

610 Burgess Road

Pensacola, FL 32504

Analyst: Lori Rodabaugh

TALLAHASSEE FIELD OFFICE

850-413-3115

200 East Gaines Street

Tallahassee, FL 32399-0324

Lieutenant Ernie Stoll

Analysts: Rebecca Bosco and

Caitlin Gilbert

NORTH REGION

North Region Case Highlights

Highlight #1

North Region DIF personnel, along with the Federal Bureau of Investigation (FBI), initiated a marine fraud investigation into a scheme aimed at defrauding an insurance company of more than \$1 million. Two insurance company employees used their positions as senior claims adjusters to create sham vessel policies, processed the submission of several fraudulent claims, and then procured the proceeds from the fraudulent claims.

The pair, assisted by eight additional external conspirators, altered documents (titles, vessel registrations, bill of sales, photos, police reports) from prior claims to create fictitious policies for fictitious vessels. These vessels were purportedly owned by the other suspects, who made at least one initial payment on the premium to set up the fictitious policy. Fraudulent claims were then filed for boat thefts, sinking boats and assorted stolen/damaged equipment by either of the external suspects. They would systematically intercept the fraudulent claims, authorize the company's correspondence, and process the claims on behalf of the insurance company as if they were legitimate.

The 10 suspects split the proceeds according to their roles in the scheme and pre-arranged percentages. After an 18 month investigation, all 10 suspects have been either convicted in the United States Middle District of Florida or pled guilty to conspiracy to commit mail fraud and wire fraud, or insurance fraud in the 4th Judicial Circuit.

Highlight #2

North Region DIF personnel and the FBI initiated an investigation into alleged bank fraud committed by an individual employed as the vice-president of a Jacksonville bank. In November 2009, the suspect began a four year scheme to defraud the bank. He obtained funds, assets, and other property owned by and under the custody and control of the bank which totaled in excess of \$10 million.

The suspect embezzled funds from the bank customers' accounts and used the stolen funds to establish depository accounts to bolster the credit worthiness of certain application borrowers. The suspect used the funds to provide enhanced interest returns, paid off troubled loans in his portfolio of accounts, and secured cashier's checks for personal use.

Of the total embezzled, \$8.3 million was stolen by the suspect from two separate customer accounts. The funds were electronically transferred to an unrelated corporate account to conceal the fact that he had previously embezzled funds from the commercial customer's corporate account. The suspect entered into a plea agreement in United District Court Middle District of Florida Jacksonville Division on February 19, 2014. Forfeited property includes over \$2 million.



NORTH REGION

Captain Brian McCoy

Counties served: Alachua, Baker, Bradford, Citrus, Clay, Columbia, Dixie, Duval, Flagler, Gilchrist, Hamilton, Levy, Marion, Nassau, Putnam, St. Johns, Sumter, Suwannee, Union.

JACKSONVILLE FIELD OFFICE

904-798-5802

921 North Davis Street, Bldg. B, Ste.149
Jacksonville, FL 32209

Lieutenant Kevin Jones

Lieutenant Edward Johnson

Analyst: Joan Bretana

NORTH REGION HIGHLIGHTS *(continued)*

Highlight #3

A Jacksonville PIP (personal injury protection) Squad investigation looked into 10 area injury centers and clinics that were purportedly providing medical services to automobile accident victims who carried PIP benefits under their auto insurance policies. The investigation concluded that nearly all of the accident claims associated with these clinics resulted from staged auto accidents. All 10 clinics that were operating fraudulently have been shut down as a direct result of the squad's investigative efforts.

To date, these enforcement efforts have resulted in more than 140 arrests including a chiropractor, clinic owners, clinic managers, massage therapists, billing personnel, recruiters, organizers, and staged accident participants.

Convictions have resulted in 17 suspects sentenced to state prison, court ordered restitution of more than \$400,000 and over \$47,000 in fines to the Insurance Fraud Trust Fund. The investigation is continuing and many more arrests are expected.



AWARDS and RECOGNITIONS

Jacksonville Detective Tommy Clark was nominated for Investigator of the Year by the 2014 State Law Enforcement Chiefs' Association on February 24, 2014.

He was a recipient of the Joint Investigations Award presented by the Tampa Region Financial Crimes and Inspectors General Council Special Achievement Awards Committee on May 15, 2014, and the Outstanding Law Enforcement Award presented by the US Attorney's Office on May 29, 2014.

WEST CENTRAL REGION

West Central Case Highlights

Highlight #1

Ft. Myers DIF personnel launched an investigation after receiving a complaint of a suspect who used a false identity to obtain a group long term disability insurance policy. Their work concluded that the individual stole the identification of a deceased person who died in 2004, and subsequently submitted false claims to obtain benefits totaling more than \$150,000. The subject was arrested, convicted and ordered to pay restitution and sentenced to 30 months in jail.

Highlight #2

St. Petersburg DIF personnel received numerous complaints about a plumbing company operating in Hillsborough and Pinellas Counties. The company advertised a small fee for clearing clogged drains. Once the plumbing representative was inside the residence, they convinced the homeowner the problem was far more extensive. The plumbing representatives provided false representation of the problems and, in many cases, the repairs were not necessary. This investigation resulted in the arrest of two employees for grand theft and working without a permit.

Highlight #3

The Tampa Field Office received a complaint from an insurance carrier on a claim involving a boat that sank and then became partially submerged in a canal located in Apollo Beach, Florida. The insured hired a contractor to rebuild both of the vessel's engines, but the result was unsuccessful due to extensive salt water damage. The insured and a friend later towed the boat to a marina to repair the engines and other damage to the boat. However, the insured did not relay the known facts about the extent to which the engines had been damaged, or that the boat had been partially submerged. An hour after leaving the boat at the marina, it again began to sink. The owner of the marina was able to secure the boat and performed some repairs totaling more than \$5,000. The insured paid for the repairs but later

submitted a claim against the marina's insurance carrier for \$38,673. In the claim, the insured lied about the extent of damage done to the boat when it first sank. DIF presented the case to the Hillsborough State Attorney and the insured was arrested on the charge of insurance fraud.

WEST CENTRAL REGION

Captain Michael Byrne

Counties served: Charlotte, Collier, DeSoto, Glades, Hardee, Hendry, Hernando, Hillsborough, Lee, Manatee, Pasco, Pinellas, Polk, Sarasota.

TAMPA FIELD OFFICE

813-972-8602

8600 Hidden River Parkway, Suite 100

Tampa, FL 33637

Lt. Carlos Rosario

Lt. Darrell Wilson

Analyst: Lisa Gonzalez

ST. PETERSBURG FIELD OFFICE

727-563-1142

St. Lucie Building

9800 4th Street, Suite 100

St. Petersburg, FL 33702

Lieutenant Carl Lane

Analyst: Kathy Morris

FT. MYERS FIELD OFFICE

239-278-7527

4700 Terminal Drive, Suite #5

Fort Myers, FL 33907

Lieutenant Mark Fritz

EAST CENTRAL REGION

East Central Case Highlights

Highlight #1

A joint investigation conducted by East Central Region DIF personnel and the Federal Bureau of Investigation resulted in the arrest of several Central Florida residents for orchestrating a complex scheme to defraud mortgage lenders out of \$35 million. The suspects executed this criminal conspiracy by fraudulently inflating property values, laundering the mortgage proceeds, stripping equity out of the properties, and concealing the controller of the fraudulently obtained mortgage loan proceeds.

Beginning in 2005, four suspects participated in a mortgage fraud scheme to defraud and obtain millions of dollars in fraudulent loans. The conspirators obtained home mortgage loans for themselves and others, who were otherwise ineligible to qualify for the loans if all information regarding their financial status had been honestly disclosed. Each participant or “straw buyer” was promised a kickback for having the mortgage funded in his/her name and a promise that each straw buyer would not incur any out-of-pocket expenses. The funding for the loans was secured using the names of their relatives and friends, who had good credit histories. In addition, the loan applications contained false information about the straw buyers’ place of employment, current address, and monthly earnings. The loan applications listed telephone numbers belonging to businesses involved in the ongoing scheme that agreed to pose as an employer if a representative of the lender called to confirm employment history. Additional businesses were created for the purpose of deceiving mortgage lenders. As a result of the scheme, this mortgage fraud ring caused lenders to fund more than 25 fraudulent loans for approximately \$35 million.

The United States Attorney’s Office, Middle District of Florida, handled the prosecution of the case. The suspects were charged and convicted of bank fraud conspiracy and federal bank fraud.

Highlight #2

Several Orlando area residents were arrested for engaging in a systematic course of conduct to defraud insurance carriers out of personal injury protection (PIP) benefits and bodily injury payments. Each of the suspects made willful misrepresentation of the facts surrounding traffic crashes and the treatment they received at a chiropractic clinic.

Two crashes investigated by the Florida Highway Patrol and the Orlando Police Department were determined to have been intentional, or staged, and planned for the purpose of making false and fraudulent claims to the associated insurance companies. A recruiter promised \$1,000 to each participant as payment to seek treatment at the clinic where the recruiter was the owner, billing clerk and office manager.

These vehicles were subsequently used in crashes that triggered PIP benefits for the participants. In

EAST CENTRAL REGION

Captain Glen Hughes

Counties served: Brevard, Highlands, Indian River, Lake, Martin, Okeechobee, Orange, Osceola, Palm Beach, Seminole, St. Lucie, Volusia.

WEST PALM BEACH FIELD OFFICE

561-837-5601

3111 S. Dixie Hwy., Suite 310

West Palm Beach, FL 33405-1557

Lieutenant Ted Padich

Analysts: Marie LaMonica and Lorene Welsh

ORLANDO FIELD OFFICE

407-835-4402

400 West Robinson Street, Suite S-823

Hurston Building, Orlando, FL 32801

Lieutenant Kurt Harmon

Lieutenant Laquanda Green

Lieutenant John Savino

Analyst: Sandy Nauth

EAST CENTRAL REGION HIGHLIGHTS *(continued)*

some instances, minor children were passengers. Each of the participants sought treatment multiple times at the designated clinic in order to receive a kickback. In some cases, clinic workers would sign treatment forms for numerous dates even though participants were not actually treated. The fraudulent treatment forms would then be submitted to the insurance company for payment.

This scheme resulted in fraudulent claims totaling more than \$31,000 in personal injury protection benefits and more than \$300,000 in bodily injury claims submitted by attorneys.

The clinic was subsequently shut down and the participants were charged with filing fraudulent insurance claims.

Highlight #3

On July 7, 2014, a registered representative of a securities corporation was sentenced in Palm Beach County to six years imprisonment as a result of criminal charges filed by DIF personnel. The suspect held not only a securities license but also several insurance-related licenses in the state of Florida.

At the time the investigation began, the complainant was the suspect's wife and caretaker of her parents, who were both suffering from Alzheimer's disease. The suspect had forged annuity surrender forms and checks for accounts held in his in-laws' names. The complainant divulged that her former husband had intimate knowledge of her parents' mental and physical condition and that complainant had power of attorney over her parents' affairs and finances since 2004.

The complainant discovered the thefts and confronted her ex-husband, who confessed. This investigation revealed that the suspect had in fact compromised the accounts of his in-laws and converted approximately \$200,000 for his own use.

SOUTH REGION

South Region Case Highlights

Highlight #1

On October 23, 2013, the ABC News show Nightline aired an in-depth story on insurance fraud, which featured a South Florida DIF case known as "Operation No Med Services." A camera crew shadowed the Miami PIP squad for several days as they prepared to arrest more than a dozen suspects in a major PIP fraud investigation involving staged accidents and fraudulent clinics. The investigation by DIF involved five staged accidents and more than \$408,000 in fraudulent claims. The story can be viewed online at <http://abcnews.go.com/US/florida-authorities-battle-lucrative-crime-rings-insurance-fraud/story?id=20659399>

Highlight #2

A South Florida DIF investigation revealed that a chiropractor used unauthorized media credentials to illegally obtain crash reports and use them to solicit accident victims. The chiropractor was charged with 19 counts of obtaining illegal crash reports and one count of solicitation. He has since pled guilty to the charges and surrendered his chiropractor's license.

Highlight #3

Between June 2011 and May 2012, the owner of a rehab clinic, who was also a licensed massage therapist, allegedly filed nearly \$100,000 in fraudulent claims against several insurance carriers. He billed for treatments associated with eight patients who were referred to his clinic after participating in staged accidents. The massage therapist gave the alleged patients treatment forms to sign, but did not provide treatment. He also coached the patients, providing a tour of his clinic, its various treatment rooms and the machines purportedly used for therapy in case they were questioned by insurance carriers about the never performed services. He was arrested in March 2014 on eight counts of insurance fraud, eight counts of grand theft and one count of patient brokering.



SOUTH REGION

Captain Steve Smith

Counties served: Miami-Dade and Monroe.

MIAMI FIELD OFFICE

305-536-0302

401 N. W. 2 Avenue, Suite N-321

Miami, FL 33128

Lieutenant Violeta Serrano

Lieutenant Stanley Jean-Felix

Lieutenant Missael Diaz

Analysts: Janice Caballero, Tonya Motley and

Diana Quinones

SOUTH CENTRAL REGION

South Central Case Highlights

Highlight #1

An investigation led by South Central DIF personnel revealed a Hollywood staged accident ring responsible for organizing several staged crashes. It was discovered that clinic personnel were generating fraudulent claims to insurance companies for post-crash treatments that never took place.

DIF investigators were able to obtain several confessions, which resulted in the arrest and conviction of four participants. With the assistance of the Broward State Attorney's Office, detectives were able to investigate an additional staged crash. The information gathered by de-briefing the original suspects led to five additional arrests.

Highlight #2

A group of individuals aimed at leveraging their clinic ties to secure monetary benefit, were responsible for organizing two crashes, one in Broward County and one in Miami-Dade County, and the follow-up treatment at two clinics. With the assistance of clinic personnel, the suspects generated claims to insurance companies. DIF investigators were able to obtain confessions from several participants in this case, and their work resulted in the arrest and conviction of two organizers and four participants. Information gathered from the initial set of suspects has since led to four additional arrests and convictions. Investigative efforts have successfully put an end to this staged crash ring.

Highlight #3

After several referrals were received regarding fictitious proof of insurance cards being sold in Broward and Palm Beach Counties, DIF investigators conducted numerous interviews. A suspect was identified and several undercover operations were executed during which the suspect sold fictitious proofs of insurance to an undercover detective. During those encounters, probable cause was established to believe that the suspect was generating the fictitious documents at his residence in Fort Lauderdale.

With the assistance of the Fort Lauderdale Police Department Major Narcotics Unit, the suspect was taken into custody.

Later that day, DIF detectives and the Fort Lauderdale Police Department executed a search warrant on the suspect's residence who was a convicted felon. Equipment capable of creating the fictitious documents was found, as well as paperwork proving ownership.

DIF detectives reviewed the suspect's prior vehicle registration history with the Florida Department of Highway Safety and Motor Vehicles and determined that he had presented numerous fraudulent proofs of insurance to register vehicles he owned. Additional charges were levied for each of those crimes.

SOUTH CENTRAL REGION

Captain Rafael Delgado

Counties Served: Palm Beach, Broward

BROWARD FIELD OFFICE

954-958-5402

1400 West Commercial Boulevard, Suite 135
Ft. Lauderdale, FL 33309

Lieutenant Evangelina Brooks (West Palm Beach Field Office)

Lieutenant William Lee (Broward Field Office)

Lieutenant Stacey Spirn (Broward Field Office)

Lieutenant William Santner (Miami Dade Field Office)

Analysts: Bonita Taitt and Clara Pirez

BUREAU OF WORKERS' COMPENSATION

Bureau of Workers' Compensation Case Highlights

Highlight #1

Bureau staff received a referral from an insurance company calling into question a claim filed by the employee of a plumbing company, who alleged that he slipped on the floor while working, causing him to twist his left knee. His claim went on to say that later, while working at another location, he stepped in a hole in the ground causing injury or exacerbation to his left knee. The associated dates of injury were consolidated into one claim.

During the course of the investigation, video surveillance of the suspect was conducted, which showed him performing landscaping-type work. He was also observed standing, walking, bending, using gas and electric-powered landscape tools, operating a riding lawnmower and using hand tools. During a deposition, he denied being able to do the activities that he was captured on videotape doing.

In addition, it was also discovered that he was untruthful about his prior medical history. When the suspect's workers' compensation doctor learned of his actual medical history, the doctor provided a statement indicating that the suspect's current medical condition was not related to his workers' compensation claim. As a result of his misrepresentations, the suspect was compensated with \$62,900 in workers' compensation benefits. The suspect was arrested in Charlotte County and charged with a second degree felony count of workers' compensation fraud, as well as perjury in an official proceeding. He was placed on probation for five years and ordered to pay full restitution.

Highlight #2

In August 2010, a suspect sustained on-the-job injuries from a fall when a chair rolled away from her as she attempted to sit on it. The associated insurance carrier alleged that she made misstatements and omissions to all concerned with the processing of her workers' compensation claim. They also alleged that the employee was untruthful about her prior medical history.

During a deposition with the insurance carrier, the suspect affirmed that she had no prior history of jaw pain, neck pain, head pain, left arm and wrist pain, left leg pain or weakness, or backache. Medical records dispute her deposition statements to the contrary. The records showed that several pre-existing conditions existed prior to the date of injury. Had the carrier known about the prior injuries, benefits would have been reduced or denied. Additionally, during a deposition, the treating physician indicated that if the suspect had been forthcoming about her health history and physical abilities, the information would have assisted him to make a more accurate diagnosis and to more accurately determine causation with respect to her work injury. After reviewing her full health history, the doctor determined that her on-the-job fall was not the major contributing cause of her current complaints.

In August 2013, the suspect was arrested for workers' compensation fraud and perjury in an official proceeding; she later entered into a 12-month pre-trial diversion program.

WORKERS' COMPENSATION BUREAU

Chief Buddy Hand
Captain John Dygon

Miami 305-536-0302
Lieutenant Jorge Pena

Orlando 407-835-4402
Lieutenant Ruthell Harris

Tampa 813-972-8602
Lieutenant Doreen Rivera-Rapp

West Palm Beach MSB 561-837-5601
Lieutenant Deborah de la Paz-Boxer

West Palm Beach 561-837-5601
Lieutenant Gregory Whipple

WORKERS' COMPENSATION BUREAU *(continued)*

Highlight #3

The Bureau completed an investigation related to a business' avoidance of paying full workers' compensation premiums by misrepresenting the company's wages and the number of employees they had on staff. The investigators' work revealed that between 2009 and 2011, the company was paid approximately \$20 million in wages by a resort for janitorial services, but reported only about \$6,000 in wages.

Throughout the course of the investigation, it was revealed that a mother and daughter were the owners of the business and its related shell corporations. They used shell corporations to hide wages in an effort to avoid paying full premiums. It was also discovered that a person associated with the owners opened several business checking accounts for shell corporations using the name of an individual who was deported in 2008.

Ultimately, the business deprived the insurance company of collecting premiums totaling over \$822,000.

In January 2014, the mother, daughter and business associates were arrested and charged with racketeering, workers' compensation fraud and scheme to defraud.



OFFICE OF SPECIAL OPERATIONS AND TRAINING

The Office of Special Operations and Training supports the Division’s mission to combat insurance fraud in our state. Career development is our priority and it is our goal to develop and provide the law enforcement-specific trainings necessary for a sworn member’s law enforcement certification. Training consists of:

- statutory mandated courses;
- firearms;
- vehicle operations;
- defensive tactics;
- and first aid skills.



In addition to the development and presentation of these topic areas, the office coordinates the delivery of specialized training and is responsible for overseeing the operation and maintenance of the Division’s fleet, the detective training officer program, quartermaster function, armor, test and evaluation programs, inventory and mutual-aid as part of ESF-16.

The Division was initially accredited by the Commission of Florida Law Enforcement Accreditation in February of 2009 and was reaccredited in June 2012.



Since that time, the Division has maintained its accreditation status by conducting staff inspections, staying informed of changes in Florida Statutes, case law, accreditation standards and updating the Division’s policies to address these changes. Additionally, the Division’s accreditation manager attends Commission meetings where state, county and city law enforcement agencies participate in training and discussions related to ongoing accreditation matters.



DEDICATED PROSECUTORS

In September 2003, the Florida Automobile Joint Underwriting Association (FAJUA), the Division of Insurance Fraud and the Miami-Dade County State Attorney's Office agreed to fund the first dedicated prosecutor position. The dedicated prosecutor program was created, and exists still, to focus direct, specialized attention to insurance fraud prosecutions by providing standardized treatment of cases and handling by assistant state attorneys with unique training and expertise and the ability to expand public awareness to the ever increasing problem of insurance fraud.

The program provides the funding and positions to State Attorney's Offices identified within the jurisdictions with the highest incidence of insurance fraud. The program has achieved extensive success and has expanded on a yearly basis. As of June 30, 2013, a total of 29 full-time positions comprise the program, 15 of which are dedicated prosecutors located in Jacksonville (4th Circuit-one), Orlando (9th Circuit-three), Miami-Dade (11th Circuit-four), Tampa (13th Circuit-five), West Palm Beach (15th Circuit-one) and Broward (17th Circuit-one) along with



accompanying support staff. Of the 15 dedicated prosecutors, one position in Miami-Dade and one position in Tampa are devoted solely to workers' compensation fraud.

The program was budgeted to expand during fiscal year 2013-2014, with the addition of four assistant state attorneys and two support staff positions—one attorney position each to Jacksonville and Miami-Dade; one attorney and one support staff position each to West Palm Beach and Broward. This expansion also included one additional dedicated workers' compensation prosecutor and one additional workers' compensation paralegal in both West Palm Beach and in Broward.



DFS Policy on Fraud Reporting Statute

Policy Relating to the Reporting of Suspected Fraud and Claim Denial Based Upon Fraud

Section 626.9891(8), Florida Statutes, authorizes the Department of Financial Services, Division of Insurance Fraud (DIF) to adopt rules relating to Insurer Special Investigative Units (SIUs) and Anti-Fraud Plans. These rules are set forth in Ch. 69D-2, F.A.C.

Rules 69D-2.003(1) and 2.004(1), F.A.C., specifically requires each insurer to file, as applicable, with DIF a detailed description of its SIU or its Anti-Fraud Plan, which filing must also include an acknowledgment that the insurer shall report all suspected fraudulent insurance acts directly to DIF.

Further, Section 627.736(4)(i), Florida Statutes, provides that “[a]ll claims denied for suspected fraudulent insurance acts shall be reported to the Division of Insurance Fraud.”

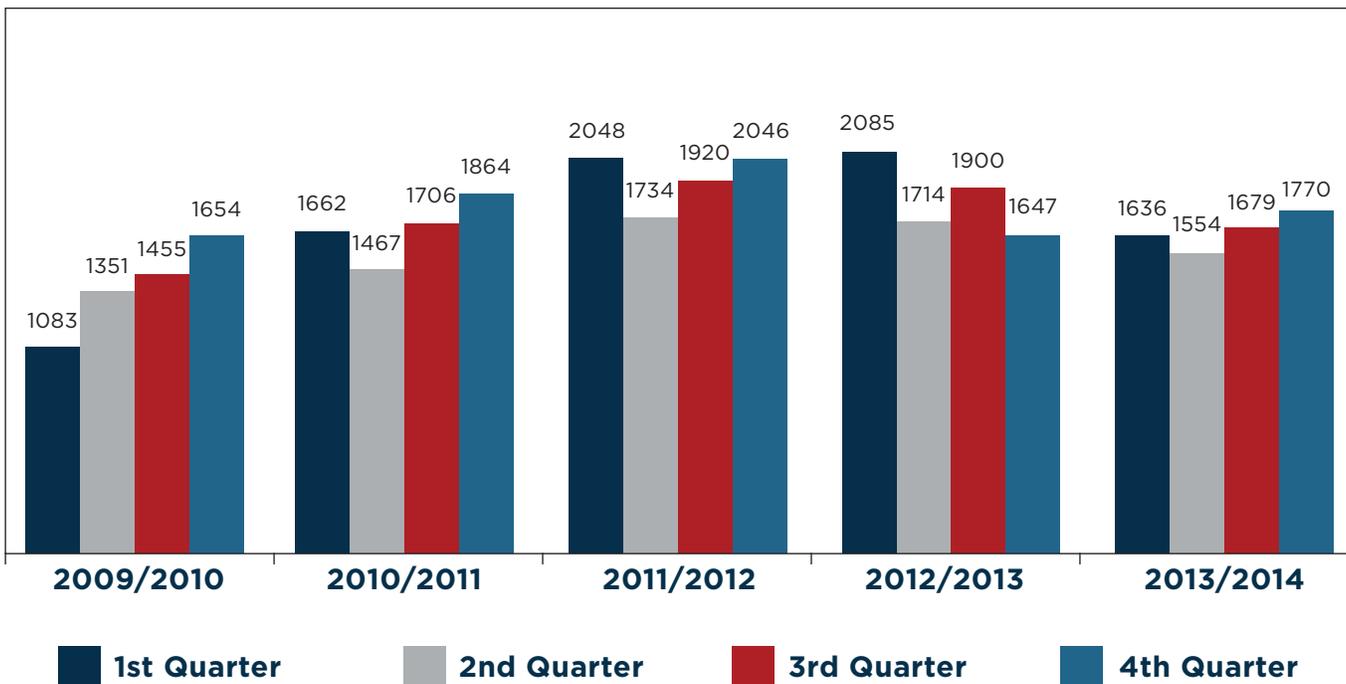
Section 626.989(4)(c), Florida Statutes, grants civil immunity, in the absence of fraud or bad faith, for providing the aforementioned required reports of suspected fraudulent insurance acts. In an effort to eliminate the reporting of duplicate suspected fraudulent insurance acts, it shall be the policy of DIF, consistent with the procedures established in Ch. 69D-2, F.A.C., that:

- 1) The reporting of all suspected fraudulent insurance acts shall continue to be processed electronically on the “Suspected Fraud Referral Form” on the Division’s Website;
- 2) An electronically generated response with a Tip # (T#) will acknowledge receipt of the report of the suspected fraudulent insurance act and that such electronically generated response will continue to have the law enforcement captain’s identifying information indicating the individual who is responsible for reviewing the information (Tip) provided;
- 3) The insurer, if it determines at any time after initially reporting suspected fraud that evidence has been developed that the suspected fraudulent insurance acts and/or claims are **not fraudulent**, will notify the responsible law enforcement captain by email of such evidence and information;
- 4) The insurer, if it determines at any time after initially reporting suspected fraud that evidence has been developed that the suspected fraudulent insurance acts and/or claims **are fraudulent** and, therefore, the claim will be denied for the suspected fraudulent insurance acts, will notify the responsible law enforcement captain by email of such evidence and denial; and
- 5) The insurer, to avoid duplication of reports, shall not provide case updates through the online “Suspected Fraud Referral Form” once an initial report of a suspected fraudulent insurance act has been made online through such form. Updates on cases referred in scenarios 3) and 4) above shall only be made by direct email to the responsible law enforcement captain.

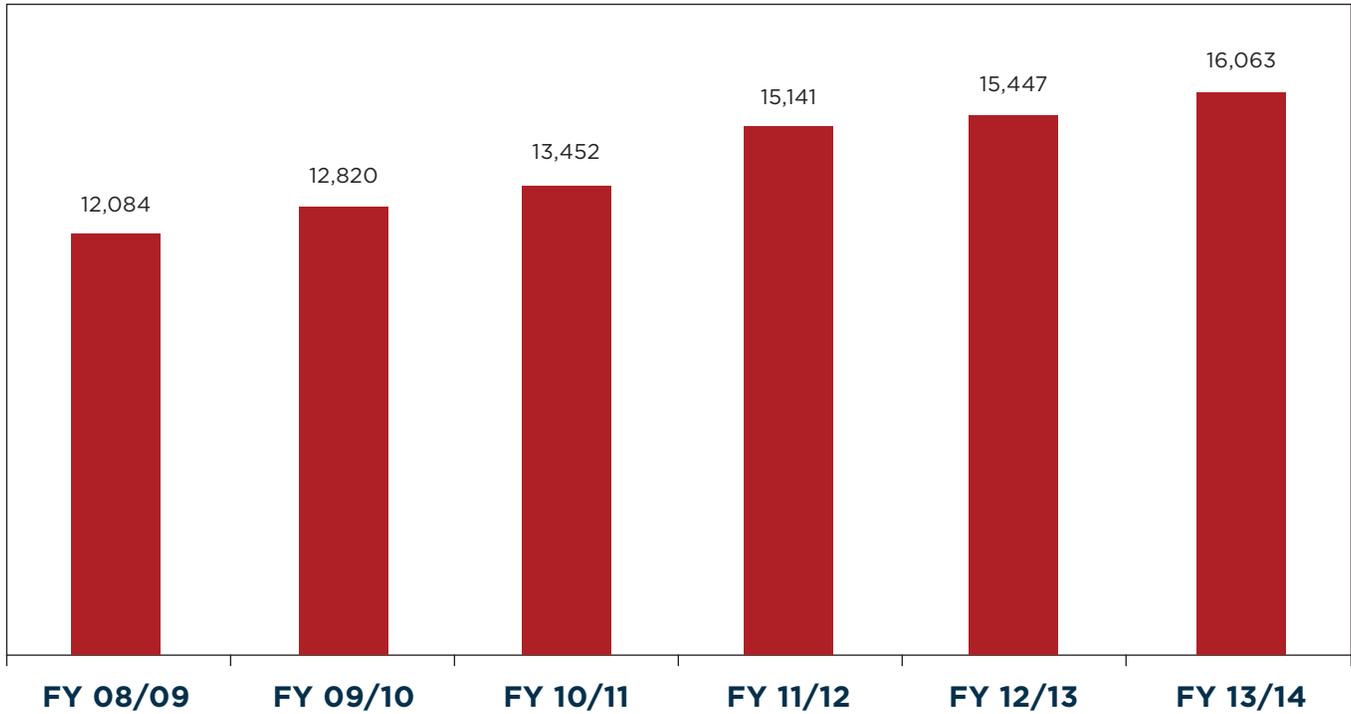
1 Pursuant to s. 626.9891, Florida Statutes, each insurer admitted to do business in this state must either: (a) establish, if the insurer received \$10 million or more in direct premiums during the previous calendar year, a unit, commonly referred to as a Special Investigations Unit (SIU), to investigate possible insurance fraud or to contract with others to investigate such fraud; or (b) submit, if the insurer received less than \$10 million in direct premiums during the previous calendar year, an anti-fraud plan to the division, which describes its procedures to detect, investigate, and report suspected insurance fraud, its plan for anti-fraud training for its personnel, and its organizational arrangement of anti-fraud personnel.

DIF's PIP Fraud Statistics

PIP Referrals Broken down by Fiscal Year/Quarter					
Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Grand Total
2003/2004	233	146	172	148	699
2004/2005	749	646	575	655	2625
2005/2006	718	513	1143	992	3366
2006/2007	973	843	989	803	3608
2007/2008	758	776	904	720	3158
2008/2009	751	869	940	1064	3624
2009/2010	1083	1351	1455	1654	5543
2010/2011	1662	1467	1706	1864	6699
2011/2012	2048	1734	1920	2046	7748
2012/2013	2085	1714	1900	1647	7346
2013/2014	1636	1554	1679	1770	6639



Suspected Fraud Referrals (Tips)

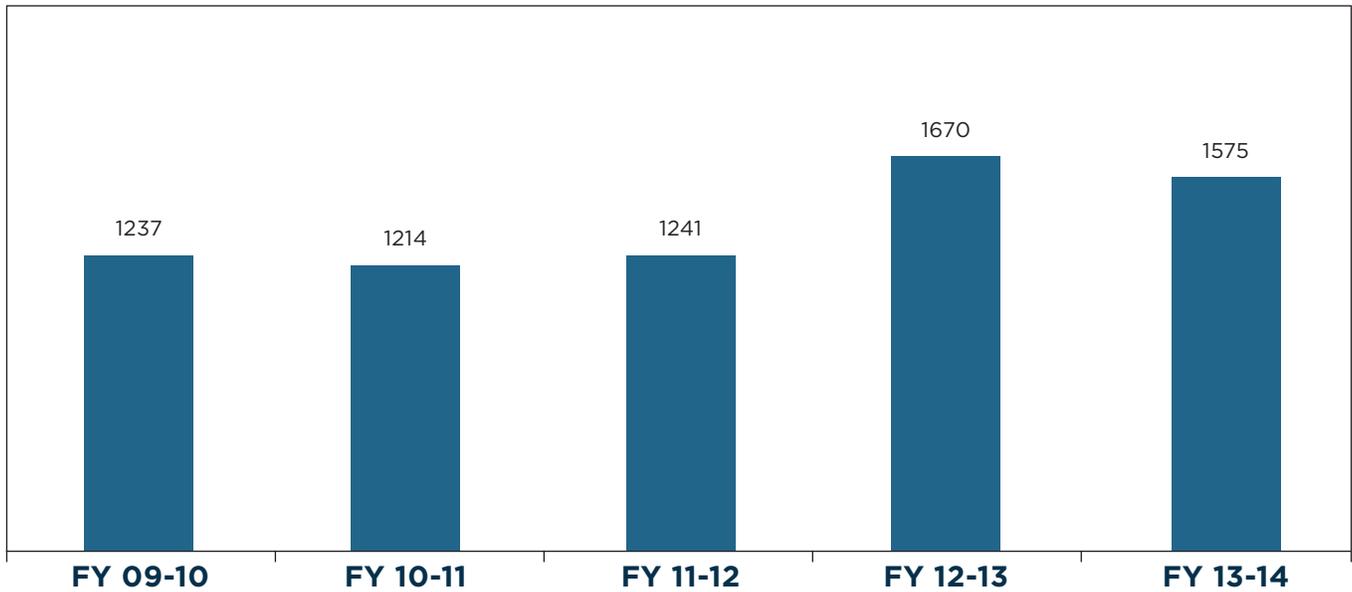


Number of Suspected Fraud Referrals for Each Fraud Type

Referrals									
Fiscal Year	PIP	Workers Comp	Vehicle	Application	Health	Home	Licensee	Other	Total
FY06-07	3608	2195	1398	650	1805	610	458	1098	11822
FY07-08	3158	1984	1215	533	853	436	493	1242	9914
FY08-09	3624	1497	1513	726	680	445	577	3022	12084
FY09-10	5543	1676	1237	823	433	644	706	1760	12820
FY10-11	6699	1495	1008	883	486	584	765	1532	13452
FY11-12	7748	1388	1167	974	426	663	704	2071	15141
FY12-13	7346	1733	1390	1227	536	765	905	1545	15447
FY13-14	6639	2162	1465	1445	1289	788	832	1443	16063*

*35 cases disposed prior to assignment

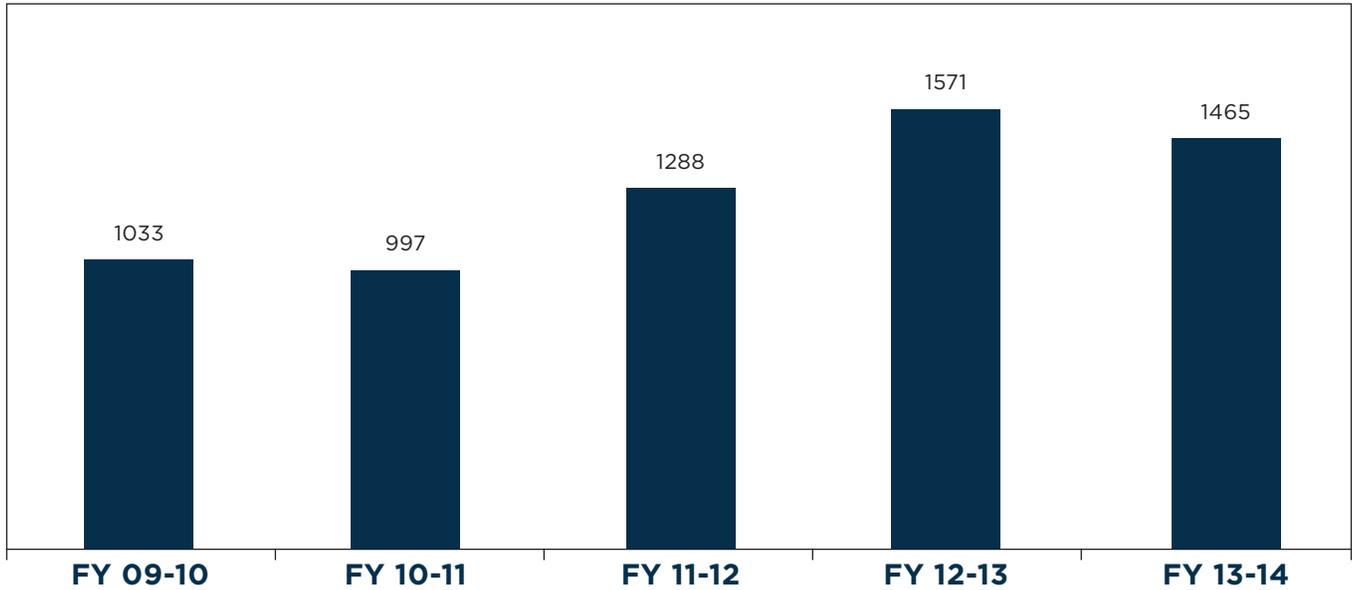
Cases Presented for Prosecution



Number of Cases Presented for Prosecution by Fraud Type

Presentations									
	PIP	Workers Comp	Vehicle	Application	Health	Home	Licensee	Other	Total
FY06-07	187	259	55	25	34	52	52	75	739
FY07-08	228	324	54	61	37	40	45	109	898
FY08-09	368	258	78	40	44	24	61	115	988
FY09-10	440	306	91	35	21	52	114	178	1237
FY10-11	429	336	56	48	50	44	103	148	1214
FY11-12	526	352	42	29	73	41	50	128	1241
FY12-13	802	474	58	34	39	50	86	127	1670
FY13-14	610	530	86	68	32	58	78	113	1575

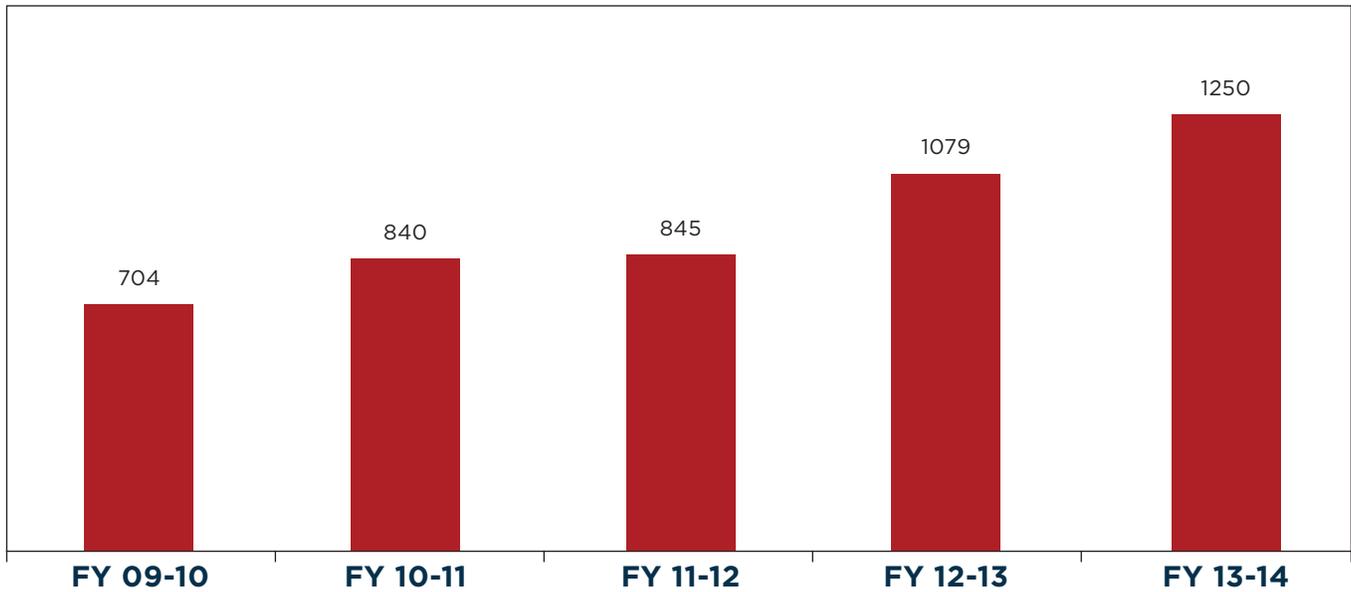
Arrests



Number of Arrests Made by Fraud Type

Arrests									
	PIP	Workers Comp	Vehicle	Application	Health	Home	Licensee	Other	Total
FY06-07	318	234	51	18	32	54	36	74	817
FY07-08	221	325	56	45	42	31	51	69	840
FY08-09	329	237	60	19	32	21	43	93	834
FY09-10	336	274	76	25	26	37	63	196	1033
FY10-11	352	271	56	40	38	30	70	140	997
FY11-12	496	274	41	28	36	35	151	227	1288
FY12-13	651	418	57	34	43	41	141	186	1571
FY13-14	558	480	73	58	29	45	59	163	1465

Convictions



Number of Convictions Received by Fraud Type

Convictions									
	PIP	Workers Comp	Vehicle	Application	Health	Home	Licensee	Other	Total
FY06-07	203	187	41	13	25	18	45	59	591
FY07-08	259	184	44	26	24	40	51	43	671
FY08-09	169	179	42	20	30	23	27	46	536
FY09-10	240	198	54	18	21	22	49	102	704
FY10-11	295	242	73	28	27	34	49	92	840
FY11-12	355	208	32	32	33	27	55	103	845
FY12-13	442	259	44	19	43	26	146	100	1079
FY13-14	575	360	49	41	21	23	72	109	1250

DIF Budget

Salary and Benefits	12,177,553.00
Other Personal Services	45,000.00
Expenses	2,016,167.00
Operating Capital Outlay	1,700.00
Transfer to Justice Administration Commission	1,411,326.00
Contracted Services	330,767.00
Operation of Motor Vehicles	6,600.00
Risk Management Insurance	169,508.00
Salary Incentive Payments (CJIP)	202,496.00
Lease or Lease -Purchase of Equipment	46,047.00
Transfer to Human Resources	64,072.00
Total all Funds	16,561,236.00
Total all Position	189.00 FTEs

**During Fiscal Year 2013/2014,
DIF had a total of
189 positions statewide:**

148 sworn positions

41 non-sworn positions

Office of the Director

Director Simon Blank
Lieutenant Colonel Jack Kelley
Senior Attorney Howard Pohl

Operations and Investigations

Major Geoffrey Branch

Statewide PIP Coordinator

Captain Steve Smith, South Region

General Fraud

Captain Michael Byrne, West Central Region
Captain David Lindsay, Panhandle Region
Captain Glen Hughes, East Central Region
Captain Brian McCoy, North Region
Captain John Dygon, South Central Region

Bureau of Workers' Compensation Fraud

Bureau Chief Buddy Hand
Captain John Dygon

Office of Professional Standards and Training

Major Timothy Cannon
Captain Burt Himmer

Bureau of Crime Intelligence and Analytical Support

Bureau Chief Lori Rodabaugh

Hotline Unit and Insurer Anti-fraud/Special Investigations Compliance Section

Senior Management Analyst Denise Prather






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Department of Financial Services

FOAA



HOW YOU CAN HELP FIGHT INSURANCE FRAUD IN FLORIDA

The Florida Legislature created a fund to which anyone can contribute to the fight against insurance fraud by making a donation, gift or grant to the Insurance Regulatory Trust Fund. The proceeds will be used by the Division of Insurance Fraud to hire additional dedicated prosecutors and insurance fraud detectives, as well as fund anti-fraud programs around the state. This is an exciting program that we believe will have a substantial impact on insurance fraud in Florida.

Payments should be made payable to:
The Department of Financial Services

Mailing address:
Department of Financial Services
Revenue Processing Section
P.O. Box 6100
Tallahassee FL, 32314-6100

Note: Please include "Code 1201F" on the memo line of your check

The donor should include correspondence with the check indicating it is a grant or donation for the Division of Insurance Fraud. The letter should include his/her intent that the grant or donation be deposited to the Insurance Regulatory Trust Fund and used for anti-fraud efforts.

Make a **D**ifference.
Join the **F**ight.
Be a part of the **S**olution.