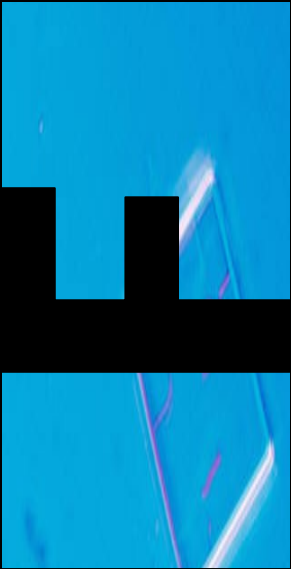


Florida Department of Financial Services Division of Insurance Fraud

Annual Report

Fiscal Year 2012/2013



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. We fix the problem, not fix the blame.

Commitment

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

Teamwork

We effectively communicate with our co-workers, 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



Since it was first established in 1976, the Florida Division of Insurance Fraud has been at the forefront of the fight to protect Floridians from illegal activity and to provide the best service possible. The Division is fortunate to have the full support of CFO Jeff Atwater whose priorities since assuming office have always included the aggressive elimination of fraud that increases the cost of living for Floridians and the protection of the state's most vulnerable citizens from financial harm and abuse.

To this end, I am proud to report that the Division of Insurance Fraud has continued its tradition of exceeding expectations during FY 2012/2013. Although the number of criminal complaints received only increased by 2 percent this fiscal year, the men and women of the Division were able to increase their effectiveness by 35 percent in cases presented for prosecution, 28 percent in arrests made, 28 percent in convictions obtained, 18 percent in restitution requested and a significant 162 percent in court ordered restitution. This is no small task and it shows the commitment and dedication of all the personnel who work together to make the Division of Insurance Fraud.

But I would be remiss if I stopped there and did not mention the great cases worked by DIF personnel, their initiatives and the recognitions they have received. During this year alone, DIF made 1,571 arrests which included significant cases such as: the investigation into Baymeadows Injury Center and Indian Rehabilitation Center clinics who were involved in a massive staged automobile accident scheme involving more than 300 suspects, 80 of which have already been arrested; or Operation Sledgehammer, a multi agency investigation leading to the arrests of 92 defendants, including clinic owners, doctors and licensed professionals involved in another massive staged automobile accident scheme; or Operation Dirty Money, another multi agency investigation in which in excess of 40 shell companies were investigated and/or shut down, and over \$500 million in fraudulent transactions were identified; or the arrests of the owners operating Sky Imaging, an unlicensed clinic which submitted more than \$1.5 million in fraudulent billings; and the conviction of Smalbach, a former insurance agent who targeted more than 30 senior citizens causing them losses of well over \$2 million.

As a result of such investigative initiatives, our members have been recognized by several organizations. Crime Intelligence Analyst Rebecca Bosco received the Analyst of the Year award at the 2013 Florida Insurance Fraud Education Committee Conference. Detective Dwight Murphy received the Law Enforcement Detective of the Year award by FIFEC and was nominated for the Attorney General Officer of the Year. Lieutenant Violeta Serrano received the State Law Enforcement Chief's Association 2013 Leadership award and Lt. Deborah de la Paz-Boxer received SLECA's 2013 President's award.

The Division continues to develop new partnerships in the fight against fraud and is working closely with local, state and federal law enforcement and regulatory agencies. The effectiveness of these relationships is evident by the cases already mentioned.

Our commitment has never been greater and it is an honor to be the Director of the fine men and women of this agency.

A handwritten signature in black ink that reads "S. Blank". The signature is written in a cursive, flowing style.

Director Simon Blank
Division of Insurance Fraud

TABLE OF CONTENTS

<u>Director's Message</u>	<u>3</u>
<u>DIF Fraud Statistics and Highlights</u>	<u>5</u>
<u>CFO Jeff Atwater Launches Operation S.A.F.E. with Be Scam Smart Workshops</u>	<u>6</u>
<u>Panhandle Region Highlights</u>	<u>7</u>
<u>North Region Highlights</u>	<u>9</u>
<u>West Central Region Highlights</u>	<u>11</u>
<u>East Central Region Highlights</u>	<u>13</u>
<u>South Region Highlights</u>	<u>15</u>
<u>South Central Region Highlights</u>	<u>16</u>
<u>Workers' Compensation Bureau Highlights</u>	<u>18</u>
<u>Office of Special Operation & Training</u>	<u>20</u>
<u>The Bureau of Crime Intelligence and Analytical Support</u>	<u>21</u>
<u>The Florida Insurance Fraud Education Committee (FIFEC)</u>	<u>22</u>
<u>Division of Insurance Fraud—In the News</u>	<u>23</u>
<u>PIP Fraud in the News</u>	<u>24</u>
<u>DFS Policy on Reporting Fraud Statute</u>	<u>26</u>
<u>DIF's PIP Fraud Statistics</u>	<u>27</u>
<u>Suspected Fraud Referrals</u>	<u>28</u>
<u>Suspected Fraud Referrals (TIPS) Comparison</u>	<u>29</u>
<u>Cases Presented for Prosecution</u>	<u>30</u>
<u>Cases Presented for Prosecution Comparison</u>	<u>31</u>
<u>Arrests</u>	<u>32</u>
<u>Arrests Comparison</u>	<u>33</u>
<u>Convictions</u>	<u>34</u>
<u>Convictions Comparison</u>	<u>35</u>
<u>Restitution Ordered and Requested for Various Case Types</u>	<u>36</u>
<u>DIF Budget</u>	<u>37</u>
<u>DIF Staffing</u>	<u>38</u>
<u>Join the Fight</u>	<u>39</u>

Fiscal Year 2012/2013 Statistics

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.

15,447 Suspected Fraud Referrals

1,571 Arrests

1,670 Cases Presented for Prosecution

1,079 Convictions

\$59,126,274.53 in Restitution Requested

\$112,115,575.53 in Court Ordered Restitution

The Division of Insurance Fraud Highlights

- DIF had a record breaking year with 1,571 arrests being made
- DIF showed a significant 31 percent increase in PIP arrests from 496 last fiscal year to 651 PIP arrests this year
- DIF received 1,079 convictions resulting in over \$112 million in court ordered restitution
- DIF responded to thousands of suspected insurance fraud tips, over half of these referrals were related to PIP fraud
- DIF actively investigated 40 shell companies, in which \$500 million worth of fraudulent transactions were identified and criminally charged
- Ten Money Service Business owners were criminally charged; Eleven facilitators have been criminally charged for controlling the above mentioned shell companies; 15 shell company owners have been criminally charged



CFO Jeff Atwater Launches Operation S.A.F.E. With Be Scam Smart Workshops



Florida Chief Financial Officer Jeff Atwater launched Operation S.A.F.E., a new initiative to “Stop Adult Financial Exploitation” and turn the tables on fraud artists who target Florida’s 4.4 million seniors.

CFO Atwater is seeking to combat statistics that estimate at least one in five seniors has been a victim of financial fraud with this series of free workshops for seniors, their families and caregivers designed to teach them how to spot a scam, how scams work, and steps they can take to protect themselves.

“Our seniors contribute greatly to Florida’s economy and as a result many have built a nest egg that makes them targets for fraud,” said CFO Atwater. “It is my mission to ensure that they can better enjoy their retirement knowing they are armed with information to safeguard their finances.”

The workshops, titled Be Scam Smart, are part of CFO Atwater’s On Guard for Seniors initiative that he launched last year to educate seniors on specific financial products such as annuities, identity theft, reverse mortgages and long-term care insurance. Operation S.A.F.E. will focus on frauds and scams, such as fake lotteries and repair scams, and how these scams work on the psyche to convince us to take a chance on something we know or should know is too good to be true.

Initial workshops were held in May in Cape Coral, Venice, Delray Beach, Clearwater, The Villages and Miami with other locations to be scheduled throughout the year.

The Operation S.A.F.E. workshops are being provided by the Department of Financial Services, which CFO Atwater oversees, and will be presented by representatives from the Department’s Division of Consumer Services, Division of Agent and Agency Services, and Division of Insurance Fraud (DIF), and locally in partnership with U.S. Senator Marco Rubio’s Office, the Palm Beach County Sheriff’s Office, the Lee County Sheriff’s Office, the Miami-Dade Police Department, the Sarasota County Sheriff’s Office, and the Pinellas County Sheriff’s Office.

“Be Scam Smart” workshops will be presented by investigators and fraud detectives from the Department of Financial Services who fight fraud every day – the Division of Consumer Services, Division of Agent and Agency Services, and Division of Insurance Fraud. The Division of Consumer Services offers education and a Consumer Helpline that last year answered more than 325 thousand calls and recovered \$22.6 million for Florida consumers. More than 70 percent of the Division of Agent and Agency Services’ recoveries last year were on behalf of seniors, and DIF is a statewide sworn law enforcement agency that is a national leader in fraud arrests.

To learn more about Operation S.A.F.E. or register for a workshop, visit www.MyFloridaCFO.com/Safe for workshop dates.

“Our seniors contribute greatly to Florida’s economy and as a result many have built a nest egg that makes them targets for fraud,” said CFO Atwater. “It is my mission to ensure that they can better enjoy their retirement knowing they are armed with information to safeguard their finances.”

— CFO Jeff Atwater

Panhandle Region

During the last fiscal year, the Panhandle Region:

- received more than 560 referrals,
- presented 107 cases to prosecutors, and
- made 126 arrests.

Highlighted Cases of 2012-2013

Highlight #1

In January 2013, several law enforcement agencies conducted a search warrant at a chiropractic clinic in Pensacola. During the search warrant, several patients and employees were interviewed along with the owner. The interviews produced pertinent information about the illegal and unethical activities of the clinic owner.

Law enforcement officers were able to obtain treatment files relevant to the patients for whom the business was billing for services not rendered. The chiropractor was arrested for two counts of insurance fraud, billing for services not rendered and one count of scheme to defraud.

Highlight #2

The division was contacted by a concerned citizen, who had learned that his two elderly parents had been victimized in a driveway painting scheme. In this case, the victims were charged over \$4 thousand for a painted driveway. The business owner used abusive and intimidating tactics to intimidate the couple to pay for work that had not been performed; therefore, a DIF detective went undercover and posed as the son of the elderly victims to obtain statements from the scammer.

In the course of the investigation, it was determined that the business was operating a driveway repair scheme along the I-10 corridor from Mobile, Alabama to Jacksonville, Florida targeting the elderly. The fraudster painted residential driveways and inflated the repair costs.

The fraudster was located and arrested for workers' compensation fraud, exploitation of the elderly and grand theft. The defendant admitted to operating the scheme in this state without required insurance coverage for his business. He admitted to paying cash to his workers without any payroll deductions of any kind. The defendant

also admitted to targeting only the elderly in his scheme, admitting to *ripping off* seniors for many years in Florida. By his own calculations, this scam netted approximately \$1 million per year.

Highlight #3

In February 2013, a hail storm moved through Buck Lake Road and adjacent neighborhoods in Tallahassee. A series of citizen complaints were filed complaining of the conduct of several roofing companies involved in marketing their services to repair alleged roof damage due to the storm. In addition, several insurance companies complained that roofers were acting as public adjusters, misrepresenting the insurance claims.

As a result of these complaints an investigation was initiated which resulted in several companies being identified in the fraudulent activities. To date, seven individuals have been arrested and charged with public adjuster fraud, a third degree felony.

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

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Analysts: Rebecca Bosco and Caitlin Skehan

Panhandle Region Highlights (continued)

Highlight #4

In December 2012, a vehicle owner reported their 2008 Nissan Sentra stolen and burned in Leon County. The following day an insurance claim was made to GEICO Insurance Company for the loss.

A joint investigation by DIF, the State Fire Marshal's Bureau of Arson and Investigation and the Leon County Sheriff's Office determined that the car was not stolen and the fire was the result of an arson. Through investigative analysis of cell phone records, and other investigative means, it was determined that an associate of the insured burned the car to defraud the insurer. Both defendants were arrested and charged with burning to defraud an insurer and grand theft.

Highlight #5

In August 2012, a single family residence in Pensacola was destroyed by fire which resulted in damage to neighboring occupied residences. In October, the homeowner submitted an insurance claim for the fire loss. A joint investigation with the Bureau of Fire and Investigation was launched.

It was determined that the fire was the result of an arson committed by the homeowner with the intent to defraud the insurer. After being confronted with the evidence generated through the investigation, the arsonist confessed to the crimes and was booked into Escambia County Jail for the charges of arson and insurance fraud.



Highlight #6

The Florida League of Cities issued workers' compensation indemnity benefit checks to a claimant. When the insurance adjuster later became aware of the claimant's death, the benefits were suspended. Thirty-two checks totaling \$16,641.60 were issued to the claimant after her death and mailed to her residence in Fort Walton Beach. At least two deposits were made at a Wells Fargo Automated Teller Machine also located in Fort Walton Beach. It was uncovered that the claimant lived with her son during this time period.

The claimant's son was located in a Texas jail and provided a sworn written indicating that he began receiving and cashing his mother's workers' compensation checks from March until October when the checks stopped coming. The defendant also explained that he had access to his mother's debit card and bank account before she died. He further advised that he would drive to the ATM to deposit the checks, totaling the \$16,000 issued after her death. The defendant was arrested and charged with grand theft and insurance fraud.



North Region

During the last fiscal year, the North Region:

- received more than 1,400 referrals,
- presented 145 cases to prosecutors, and
- made 134 arrests.

Highlighted Cases of 2012-2013

Highlight #1

Baymeadows Injury Center clinic of Jacksonville provided services to automobile accident victims who carried PIP benefits. Similar clinics, including Indian Rehabilitation Center Inc (IRCI), opened to handle the high quantity of accident claims.

An investigation determined that the clinic owner conspired with several individuals to stage auto accidents. The clinic submitted fraudulent therapy reports for approximately 80 individuals, resulting in more than \$228,000.00 being paid to the clinic from various insurance providers.

More than 50 arrests, including the clinic owner and two massage therapists, have been made with additional arrests expected. Ten clinics have closed as a result of this investigation.

Highlight #2

Information was received that a small group of men were running a staged accident ring in the Jacksonville area. The ringleader of the accident ring was found to be associated with Chiro-Med, an accident clinic where the accident victims would be sent for treatment following the staged crash. Numerous accidents were identified as being staged.

After grand jury proceedings, the ringleader and top organizers were indicted by a federal grand jury and arrested. Since that time, the State Attorney's Office has filed state charges against the ringleader and 11 additional participants. The investigation is ongoing and additional arrests are forthcoming.

Additionally, the chiropractor, Richie Cabigting, was indicted by a federal grand jury for the Middle District of

Florida charging him with conspiracy to commit mail fraud and mail fraud. He is presently awaiting trial.

Highlight #3

A Jacksonville resident and licensed Florida financial advisor operated a fictitious company while working for a national investment service company.

It is believed that the advisor was the mastermind behind a complex scheme to defraud numerous investors, including many Duval County school teachers and administrators. The advisor would persuade investors into transferring their retirement savings from legitimate life insurance companies and investment companies over to his control. Instead of investing the funds as promised, he would use the funds for his own personal use, including purchasing high value luxury items, as well as commercial and residential real estate. The advisor would also use money taken from new investors to pay earlier investors. In total, more than \$4 million was stolen from the investors.

The advisor was arrested and charged in federal court with 20 counts of wire and mail fraud. He is facing up to 400 years in prison and fines of \$5 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.

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Lieutenant Kevin Jones

Analyst: Joan Bretana

North Region Highlights (continued)

Highlight #4

A gas station clerk, while performing her duties at work, was shot and killed during a robbery. The Division of Workers' Compensation Compliance (DWCC) served a stop work order on the business for not having proper workers' compensation coverage and referred the case to DIF.

Detectives determined that the coverage was cancelled for non-payment of premium. The carrier confirmed that based on the facts of the incident, had the policy been in effect, the carrier would have paid death benefits and funeral expenses to the victim's family of six.

The business owner was arrested in Flagler County and charged with workers' compensation fraud, working without coverage; the defendant is presently awaiting trial.

Highlight #5

DIF detectives investigated a case in which a Jacksonville woman was charged with grand theft and uttering a forged instrument, but the woman could not be located in order to serve the warrant and was classified as a fugitive.

Later, the detective saw a local news report that the Jacksonville Sheriff's Office (JSO) was looking for a woman who had robbed a local bank earlier that day. The robber fit the same physical description of the fugitive.

The detective obtained a bank surveillance photo of the bank robbery suspect. The JSO Robbery Squad was contacted and advised of the detective's suspicion. JSO conducted an investigation and determined that the wanted fugitive was, in fact, their suspect. The JSO SWAT Team arrested the fugitive, charging her with the bank robbery, as well as serving the grand theft warrant.

Highlight #6

During her employment at a local insurance agency, a customer service representative misappropriated funds from several customers and retained portions of the moneys for her personal gain. The funds included cash payments made by the customers that were not applied to their accounts.

The defendant was arrested in Duval County and charged with misappropriation of finances and grand theft.

Highlight #7

During an undercover operation sting, eleven unlicensed contractors were arrested for soliciting work which required a state license.

Detectives from various agencies went undercover and obtained estimates for jobs that require a state license, including plumbing, electrical and other general remodeling services. Eleven unlicensed contractors were transported to jail and charged with unlicensed contracting, as well as being issued a stop work order.

The purpose of unlicensed activity sting operations is to protect consumers from the dangers of working with unlicensed individuals, which may result in personal or financial harm, and to protect licensed professionals from unfair competition with unlicensed individuals.



West Central Region

During the last fiscal year, the West Central Region:

- received more than 3,200 referrals ,
- presented 293 cases to prosecutors, and
- made 218 arrests.

Highlighted Cases of 2012-2013

Highlight #1

An investigation by DIF revealed that a subject approached a Sarasota chiropractor about becoming the straw owner of a medical clinic. The chiropractor contacted law enforcement, and under the direction of the department, applied for a clinic exemption certificate to begin operating the facility. The chiropractor, working undercover, was also contacted by a local body shop owner, who made arrangements to provide accident patients to the clinic for a fee.

During the course of the investigation, the clinic submitted almost \$40 thousand in fraudulent insurance claims to six different insurance companies.

The defendant and the body shop owner have since been arrested and charges are pending.

Highlight #2

Ft. Myers detectives initiated an undercover investigation into billing for services not rendered and solicitation of patients by a chiropractor. This investigation was predicated on the use of a confidential informant, who successfully infiltrated the medical clinic.

While treating at this clinic, the informant received cash payments from a licensed health care provider and owner of the clinic. These cash payments were bonuses paid to the informant to secure the informant's continued patronage to this clinic. These medical treatments were ultimately submitted to an insurance company for reimbursements.

This undercover investigation resulted in the discovery that the doctor and owner of the clinic submitted insurance reimbursement claims for services that he never rendered.

A search warrant was executed at the clinic at which time the doctor was arrested and charged with insurance fraud and patient brokering.

Highlight #3

An insurance company's investigative unit provided information related to suspected illegal activities occurring at a Collier County medical clinic. The investigative unit alleged that as the result of a suspected staged motor vehicle accident, several of their accident participants received medical treatment at the medical clinic.

DIF conducted an investigation into the finances of this clinic and discovered that the insurance companies claim checks were being made payable to The Collier Chiropractic Medical Clinic. The insurance companies mailed the claimed checks to a post office box rented by the owner of the clinic. These insurance claim checks

WEST CENTRAL REGION

Captain Michael Byrne

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

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Lieutenant Mark Fritz

West Central Region Highlights (continued)

were then found to have been deposited into a Wells Fargo Bank business account under the name of the clinic corporation. Further investigation revealed that this account was used by the clinic manager for personal business such as recreation and shopping. The investigation also revealed that a doctor from the east coast of Florida was a straw owner. The straw owner obtained an exemption from the Agency for Health Care Administration (AHCA) Clinic, concealing the true ownership of this clinic.

The investigation uncovered that during the past five years, two insurance companies have been fraudulently billed nearly \$1.4 million in medical PIP claims. According to Florida Statutes, these claims are unlawful medical charges, and therefore; non-compensable charges.

Two search warrants were executed and the real owner of the clinic was arrested for false and fraudulent insurance claims, along with operating an unlicensed medical clinic.

Highlight #4

This case referral involved a licensed insurance agent, who twisted, or replaced coverage of one insurer with that of another - the annuities of an elderly couple. Interviews with the couple determined that not only had the insurance agent twisted their annuities multiple times, he had also established a similar named shell company from which he systematically moved the victim's property, under false pretenses, into the shell account.

Under the belief that this occurrence was not a single act, the detective contacted the insurance carrier and obtained information on all the agent's clients in which policies had been recently cancelled.

Armed with this information, interviews were conducted with 13 elderly citizens and it was determined that in each case, the agent had moved their annuities from a legitimate insurance company to a shell company, wholly owned by the agent. The monies were then tracked from the shell company account directly into the agent's personal accounts. Further investigation revealed that a large portion of

the money was used to pay for bar bills, lodging, restaurants and escort fees.

Of the 13 elderly victims, only nine were found to be mentally competent to describe what transpired and able to identify the agent.

The agent was arrested and charged with nine counts of exploitation of the elderly involving \$1.3 million, grand theft and money laundering. The subject was convicted and sentenced to 25 years state prison, 10 to be immediately served with 15 years under probation.

Highlight #5

Thirteen senior homeowners reported that a Sarasota insurance agent had sold them fictitious homeowners insurance policies. The investigation uncovered evidence that resulted in the arrest of the agent for grand larceny in excess of \$100 thousand, scheme to defraud and uttering a forged insurance policy.

The insurance agent plead guilty and was ordered to pay restitution of \$322 thousand, and received 15 years probation. Additionally, the insurance agent's license was revoked.

East Central Region

During the last fiscal year, the East Central Region:

- received more than 2,650 referrals,
- presented 241 cases to prosecutors, and
- made 231 arrests.

Highlighted Cases of 2012-2013

Highlight #1

A con artist purchased a 2004 Chevrolet Impala, as well an automobile insurance policy, from a used car dealership in Orlando. The con man used the identity of an unsuspecting victim. Later, a second vehicle, a 2006 Chevrolet Impala, was added to the policy coverage. The 2006 Chevrolet Impala was later involved in a vehicle pursuit with the Orlando Police Department related to a recent homicide. The pursuit of the vehicle resulted in a fatal crash killing all four occupants, including the homicide suspects. Luckily for the insurance fraudster, he was not in the vehicle at the time of the crash.

The insurance carrier paid out over \$20 thousand in claims made on the fraudulently obtained insurance policy before learning of the identity theft and fraud. The investigation resulted in the arrest of the suspect on charges of identity theft and insurance fraud.

Highlight #2

A licensed insurance agent, who worked as an investment service advisor at a bank in New Smyrna Beach, was arrested for exploitation of the elderly and grand theft. The bank employee misappropriated funds in the amount of \$16,000.00 from an 83-year-old annuity account holder. The investigation revealed the defendant had stolen the elderly woman's funds without her knowledge.

A closer review of bank account records also revealed that other victims had their funds misappropriated from their accounts as well. The employee had created a level of trust with the elderly victims who were unaware the funds were stolen.

The bank employee pled guilty and was sentenced to 13 months in state prison and eight years of probation. He

was ordered to pay over \$43,000.00 in restitution to all the victims.

Highlight #3

An insurance claimant reported that his residence had been burglarized. In addition to computers, firearms, cash, and high end men's watches, the claimant reported a Cartier diamond ring that he had purchased for his girlfriend was also stolen during the burglary. As proof of the loss, the claimant provided a copy of the Cartier jeweler's receipt. The receipt listed the purchase price of the ring at \$21,127.50. The insurance company issued a check in the amount of \$38,671.00 as an insurance settlement for the claimed losses.

Later, the insurance carrier received information advising that the claimant had told a number of people that his ex girlfriend kept the ring when they broke up. The former girlfriend was located in North Carolina and confirmed that she took the ring with her when she and the claimant broke up.

The defendant was convicted in Orange County of homeowners fraud and ordered to pay restitution in the amount of \$22,420.15.

EAST CENTRAL REGION

Captain Glen Hughes

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

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Lieutenant John Savino

East Central Field Offices Highlights (continued)

Highlight #4

An insurance agent operated a premium financing Ponzi scheme from his home-based insurance business borrowing nearly \$5 million from three different premium finance companies for insurance policies on entities that never existed. DIF charged the agent with multiple counts of insurance fraud, misappropriation of funds, theft and money laundering related to his ongoing fraudulent insurance practices.

The insurance agent used the proceeds from this scheme to finance a lavish lifestyle for he and his wife, which included residing in an upscale community in Palm Beach Gardens, trips to Europe and a Jaguar XJ-Series Vanden Plas Sedan.

In May 2012, the defendant was sentenced to one year in the county jail and 30 years probation. The insurance agent's incarceration caused a default in a larger and more sophisticated premium finance loan Ponzi scheme he operated while his prior case was pending sentencing.

On June 24th, the defendant pled guilty and was sentenced to one count of money laundering and two counts of grand theft over \$100 thousand. He was sentenced to 12 years in state prison.

Highlight #5

Since October 2011, DIF and the FBI have been involved in an investigation involving the unauthorized access of patients protected health information (PHI) identifiers and the sale of the information to individuals who were involved with personal injury protection attorneys and chiropractic clinics.

The investigation revealed that an employee, who had worked as a registration representative, would register patients as they came into the emergency department. In late 2009, the employee began accessing patient records at an unusually high number and in total accessed more than 763 thousand patient records.

The investigation identified nearly 12 thousand individuals whose records were accessed by the hospital employee had possibly been involved in a motor vehicle accident. Those individuals would receive a telephone call within a couple of days to a week after their visit to the

hospital. The caller would offer a referral to a lawyer or chiropractor to the injured victim. The phone numbers that were called were the same provided to the hospital during the registration process.

The employee and two other individuals involved in the conspiracy have pled guilty. The prior employee is now serving a year and a day in federal custody.



South Region

During the last fiscal year, the South Region:

- received more than 3,000 referrals,
- presented 280 cases to prosecutors, and
- made 284 arrests.

Highlighted Cases of 2012-2013

Highlight #1

An investigation into a PIP fraud scheme revealed that an insurance adjuster created fictitious claims and issued checks for treatment never provided by clinics operated by his co-conspirators. This resulted in the arrests of the adjuster and two clinic owners. Approximately \$186,000.00 was paid for fraudulent claims to three Miami clinics in less than six months. All three defendants were convicted and sentenced to terms in jail that varied from six months to three years with seven to 10 years probation and full restitution. The adjuster also surrendered his license.

Highlight #2

Operation "No Med Services" resulted in the arrests of 18 subjects, including a medical doctor, two clinic owners, a clinic employee, five medical licensees, and four staged accident organizers as part of a round-up involving four accident clinics in Miami-Dade County.

The investigation revealed that participants from five staged accidents were referred to four clinics for treatment that was not provided but billed to seven different insurance companies in excess of \$408,000.00. The five staged accidents occurred between August 2010 and September 2012 in Miami-Dade County. The four clinics, Clarke Medical Services, Emoge Medical Services, Magic Hands Medical Services and New Life Rehab Services, are believed to be involved in an organized scheme to defraud involving many more staged accidents and participants than those identified and arrested in this sweep.

Warrants have been issued for three other subjects, including two staged accident organizers.

Highlight #3

An investigation into staged accidents organized by clinic owners resulted in 28 arrests since 2011. Others charged included a massage therapist, a clinic employee and sev-

eral other organizers. Several of the clinics also operated illegally without the required license from the Florida Agency for Health Care Administration and one used the name of a dead doctor on their bills. More than \$698,000.00 was fraudulently billed to insurance companies in these cases.

Highlight #4

An investigation into the hijacking of a diagnostic clinic's corporation resulted in the arrest of one subject for more than \$726,000.00 in fraudulent billing. The clinic, located in Hialeah, had closed but was actively incorporated while the owners tried to sell it. The subject, working with others, filed fraudulent documents with the Florida Division of Corporations and seized control of the corporation. No services were ever rendered by the false owners, but in less than six months, they submitted hundreds of false bills to 27 different insurance carriers.

Highlight #5

An investigation into the unlicensed operation of an MRI facility resulted in the arrests of two owners for more than \$1.5 million in billing to insurance carriers for over 15 months. The owners had submitted paperwork to the Florida Agency for Health Care Administration using a doctor as a straw owner to obtain an exemption.

SOUTH REGION

Captain Steve Smith

Counties served: 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 Rafael Delgado

Analyst Supervisor: Janice Caballero

Analysts: Tonya Motley and Diana Quinones

South Central Region

During the last fiscal year, the South Central Region:

- received more than 3,190 referrals,
- presented 221 cases to prosecutors, and
- made 230 arrests.

Highlighted Cases of 2012-2013

Highlight 1

Operation Sledgehammer Phase one was a joint operation with the FBI, Department of Defense, Internal Revenue Service, National Insurance Crime Bureau and DIF. The investigation centered on medical clinics within the Palm Beach area, responsible for the staging of auto crashes for the purpose of submitting fraudulent billings of treatment to various insurance carriers. This successful investigation netted 29 defendants in phase one.

Phase two was equally successful with the arrests of 28 defendants. Included were five clinic owners, four recruiters, nine staged crash participants, four chiropractors, one certified chiropractic physicians assistant, four licensed massage therapists, and one clinic employee. Restitution stands at approximately \$18 million.

To date, 22 defendants have pled guilty and the investigation continues.

Highlight 2

Investigation "Boatscam" involved a group of owners and operators of various power boat companies who used individuals to recruit buyers of their power boats, to obtain loans from banks and other lending institutions. The names of the power boat companies involved include Avanti Marine USA, Inc., Ocean Waves Power Boats LLC, Blue Sea Boats, Inc., and BlueFin Marine, Inc. The principles of this fraud scheme conspired to commit bank fraud and money laundering by furnishing the loan applicants with false bills of sale, showing non-existent down payments and false financial documents as to the financial position of the applicants; therefore, the financial institutions were defrauded into making loans to non-credit-worthy applicants for the purchase of the power boats. In many instances the scheme involved non-existent boats. Often times the straw buyers were instructed by the principals to

report the boats stolen in an effort to collect insurance payments and discontinue the need to make monthly loan payments to the lenders. Seven principals have been arrested at this time, involving in excess of \$12 million in fraudulent loans.

Highlight 3

The owner and operator of Restview Memorial Mortuary (dba Evergreen Funeral Home) provided fraudulent irrevocable assignment and power of attorney for three decedents to C & J Financial, LLC a funeral funding company totaling over \$13,000.00. The investigation determined the named individuals were not deceased, and were in fact, alive. Based upon the fraudulent submissions, the monies were deposited into the account of Evergreen Funeral Home.



The business owner was arrested and charged with organized scheme to defraud, money laundering and grand theft. Additional charges are anticipated in Broward County.

SOUTH CENTRAL REGION

Captain John Dygon

Counties Served: Palm Beach, Broward, Dade

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 Bill Santner (Miami Field Office)

Analyst Supervisor: Bonita Taitt

Analyst: Clara Pirez

South Central Region Highlights (continued)



Highlight 4

The manager and partner of South Florida Title Group, Inc. (SFTG) embezzled over \$230,000.00 from the escrow account of the company. From September 2010 through November 2011, the manager committed grand theft when he unlawfully with the intent to permanently deprive SFTG of the right to or the benefit of the money he embezzled from the escrow accounts. Bank records analysis showed that on 23 occasions, he issued checks from the escrow account of SFTG and deposited these drafts into corporate accounts of businesses owned by he and his wife.

When questioned, the defendant acknowledged his part in the scheme. The scammer was arrested and charged with grand theft and misappropriation of escrow account funds; the case is pending trial.

Highlight 5

In June 2012, a Broward County resident and her family were involved in an automobile accident. While at the hospital, the woman was introduced to the owner and operator of All Nation Chiropractic and Family Care, located in Oakland Park. At this meeting, the owner offered to pay the accident victim and the others in her car \$2,000.00 to treat at his clinic. Later, accident victims attended the clinic and signed multiple treatment forms, with no treatment occurring on that date. After several trips to the clinic, the clinic owner failed to make good on his promise to pay for treatment. When confronted about the offer, the clinic owner authored a promissory note for the payment.

The owner was arrested for patient brokering and is awaiting trial.



Workers' Compensation Bureau

During the last fiscal year, the Workers' Compensation Bureau:

- received more than 1,315 referrals,
- presented 382 cases to prosecutors, and
- made 350 arrests.

Highlight #1

A former correctional officer filed a workers' compensation claim alleging that while she was employed she acquired an external staph infection. The employee was treated medically and cleared after treatment. According to documentation, she began coughing and it was determined that the infection had transferred to her lungs. As a result, the insurance claim administrator paid full disability benefits to the employee, which included paying for multiple medications, that included a carry/travel oxygen pack for home use.

During a deposition, the employee stated she could not do anything including care for herself at her residence, go out or eat out with her husband, sit at the dinner table, and had shortness of breath. However, surveillance video was obtained on various days and showed that her behavior contradicted those statements. The footage showed the employee had visited a zoo, visited shopping stores, traveled to restaurants, and gas stations—all without the use of the oxygen tank.

The investigation determined that the employee failed to be truthful in a sworn evidentiary hearing. Brevard County is requesting full restitution for the \$664,000.00 loss due to the employee's misleading and misrepresentation.

In March 2013, the employee was arrested and booked into Brevard County Jail.

Highlight #2

Money Service Business Task Force members arrested a Miami-Dade woman, charging her with organized scheme to defraud, workers' compensation fraud, and conspiracy to commit grand theft in conjunction with the shell company BJN Construction, Inc. She facilitated the movement of approximately \$6 million in unreported and undeclared construction industry payroll utilizing this

corporation. Later, while awaiting extradition, she was served with a another felony warrant with similar charges in which she facilitated the movement of an additional \$6 million in unreported and undeclared construction industry payroll.

Highlight #3

The Money Service Business Task Force arrested the owner of Diaz Supermarkets and executed five search warrants at five different businesses owned by the business owner. The business owner was charged with multiple violations to include money laundering related to the use of his business to facilitate workers' compensation premium fraud.

Approximately \$540,000.00 in U.S. currency was seized for forfeiture. Simultaneously, a bank seizure warrant was served on a controlled bank account containing an additional \$100,000.00. Also seized during this enforcement were three motor vehicles valued at approximately \$200,000.00. These vehicles were used during the commission of the various alleged crimes committed by the defendant.

The task force continues their mission of identifying shell companies and the facilitators who conspire with the individuals who establish these false companies. Most recently, the task force identified two individuals who

WORKERS' COMPENSATION BUREAU

Major Buddy Hand

Captain Vance Akins

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 561-837-5601

Lieutenant Gregory Whipple

West Palm Beach MSB 561-837-5601

Lieutenant Deborah de la Paz-Boxer

Workers' Compensation Bureau (continued)

have been facilitators of several shell companies, who during a three month period facilitated the movement of \$1.3 million in unreported and undeclared construction industry payroll. Another defendant in the case facilitated the movement of more than \$13 million.

Highlight #4

In May 2013, job site visits were conducted in West Palm Beach to ensure that the companies performing construction work were in compliance with providing workers' compensation coverage for their employees should they be injured on the job.

A Florida owned construction company provided detectives with a certificate of liability insurance document, which was later found to be a fraudulently issued certificate for which there was no policy in place. The owner advised that he purchased the policy from an insurance agent in Boca Raton. An investigation revealed that the insurance agent misappropriated the business' insurance premium and never obtained coverage for the business.

The insurance agent was charged with providing a false and fraudulent workers' compensation certificate of insurance, uttering a forged instrument and grand theft. The defendant was also charged with aggravated grand theft, after six other victims were identified that paid for insurance coverage.

Highlight #5

The Tampa Workers' Compensation Squad began conducting unlicensed contractor stings in combination with workers' compensation compliance enforcement in December 2012. The purpose of the operation was to identify and apprehend individuals who were working in the construction occupation without the required workers' compensation coverage or exemption and without the required construction license.

All four stings were conducted jointly with other agencies such as the Pinellas County Sheriff's Office, Pinellas County Office of Consumer Protection, the Hernando County Sheriff's Office, the Pasco County Sheriff's Office, the Department of Business and Professional Regulation, the Pinellas County Construction Licensing Board, Pasco County Building Inspections, and the Department of Financial Services, Bureau of Workers' Compensation Compliance.

In sum, 38 arrests were made as a result of these operations with two warrants pending.

Highlight #6

A licensed broker, who worked for several major wire house firms, targeted retired, senior citizens by misrepresenting risks and selling unsuitable investments. Because of these misrepresentations, several investors lost most, if not all, of their investments.

Interviews conducted with the investors highlighted several common factors in their complaints against the licensed broker. The victims stated that the defendant concealed the facts and investment risks. Most of the investors were unaware of the details contained in the documents they were asked to sign. The broker presented forms to be filled out and directed the investors where to sign and initial. These forms were never fully completed during the visit, and the broker informed them that the forms would be completed later.

The defendant was arrested on multiple counts of grand theft and exploitation of an elderly person. Later in April 2013, the defendant was sentenced to seven years in prison, followed by 10 years of probation. He was also ordered to pay over \$2 million in restitution to the victims.

Highlight #7

An employee allegedly injured herself while picking up a box of product and felt a strain in her lower back.

The treating physicians reviewed the video surveillance and determined that the activities observed on video were inconsistent with the employee's clinical presentations to them. The claim was presented to the Office of the Judges of Compensation Claims and a final compensation hearing was conducted. The judge ruled in favor of the insurance carrier finding that the employee's attempts to reconcile her depositions, her representations to the doctors, along with the surveillance were inconsistent. The judge determined that none of the statements were made for any reason other than to obtain workers' compensation benefits, and the judge found that the employee committed workers' compensation fraud. The insurance carrier is seeking restitution in the amount of \$112,000.00

In March 2013, the employee was arrested for workers' compensation fraud and is currently awaiting trial.

Office of Special Operations and Training

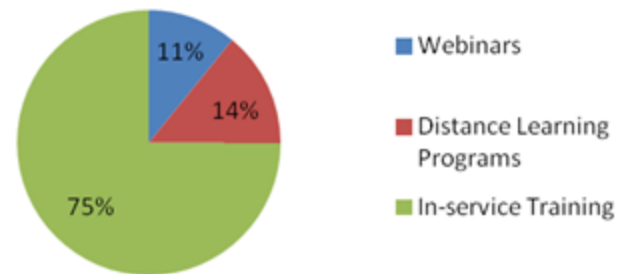
The Office of Training and Special Operations was established to carry out the Division's professional commitment toward the fight on insurance fraud. Career development is a priority of the office and thus, it is the mission to develop and provide law enforcement specific training needed for a sworn member's law enforcement certification. This training consists of the following topics: statutory mandated courses, firearms, vehicle operations, defensive tactics and first aid. In addition to the development and presentation of these topic areas, the office coordinates the delivery of specialized training topics specific to the Division's mission. The Office of Training and Special Operations is responsible for overseeing and/or managing the following support functions: operation and maintenance of the division's fleet; division's field training officer program; quartermaster functions; armor; test and evaluation program; applicants' PAT testing; radio program; inventory; and, mutual-aid as part of ESF-16.

Since July 2012, the Office of Training and Special Operations has completed the Criminal Justice Standards and Training Commission's (CJSTC) mandatory retraining in all regions in the state. This was accomplished through regional in-service training, webinars, and distance learning programs.



of Florida Law Enforcement Accreditation meetings where state, county and city law enforcement agencies participate with training and discussions related to ongoing accreditation matters.

Percentage of Participants Trained in 2012/2013



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

On June 28, 2012, the Division received its re-accredited status as a law enforcement agency by the Commission of Florida Law Enforcement Accreditation.

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 the Commission

The Bureau of Crime Intelligence and Analytical Support

Ratheon Visual Analytics — This year, members of the Bureau of Crime Intelligence and Analytical Support acquired licenses from Raytheon Visual Analytics Inc. (RVAI) for a potent exploratory software program. RVAI has deep data mining capabilities coupled with rich analytical functions. The system essentially provides clarity and data harmonization by restructuring the way the bureau looks at and culls its own datasets. With this new tool, the bureau is able to query data never before viewable, such as restitution totals by case type and fines. The program is also able to find anomalies in existing data, which will ultimately improve the division's processes and uncover invisible connections. It is currently deployed on top of the existing case management system and will further offer predictive analytical tactics when coupled with external datasets.

Members of the bureau, along with senior law enforcement managers, recently received hands-on training with the software and are excited about the innovative product. With the newly developed queries, supervisors are able to find information in seconds that previously required lengthy manual searches and human resources. With the help of this data mining tool, the division ultimately hopes to use RVAI to uncover the most viable and actionable leads in workers' compensation fraud, work order violations and identity theft.



December 2012—Crime Intelligence Analyst Lisa Gonzalez graduated from Class XIX of the Florida Law Enforcement Analyst Academy.

June 2013—Crime Intelligence Analyst **Rebecca Bosco**, Bureau of Crime Intelligence and Analytical Support, was presented with the Analyst of the Year award at the 2013 Florida Insurance Fraud Education Conference.



CIA Bosco created power point presentations for complex major cases, including in a Fort Myers case, in which multiple slides showed the associations of the main targets with the clinics involved in the Personal Injury Protection Fraud. Her presentations not only represented persons and businesses related to the target clinics and suspects; but also identified related cases in the division's database relating to the staged accident rings.

CIA Bosco also provided assistance to the Workers' Compensation Money Services Business Squad in preparing analytical products to include charts, posters and an informational video that identified targets related to Workers' Compensation Premium Fraud facilitated by money service businesses. As a result of this fraud and the impact it has to the State of Florida, the video, "Dirty Money," has served as an informative proactive tool used by division members to educate law enforcement agencies, prosecutorial entities and working groups.

The Florida Insurance Fraud Education Committee (FIFEC)

This year the Florida Insurance Fraud Education Committee (FIFEC) 21st Annual Conference took place June 5-7, 2013, in Orlando. The conference is attended by law enforcement, insurance investigators and professionals, members of The International Association of Special Investigative Units and The National Society of Professional Insurance Investigators.

The Florida Insurance Fraud Education Committee began as the DIF/SIU annual training seminar representing the Florida Division of Insurance Fraud and the Special Investigations Unit (SIU) community in 1992. DIF hosted this first seminar, a one-day, open forum-type workshop held in Altamonte Springs, with no agenda other than to foster a favorable working environment between the public and private sectors involved in the fight against insurance fraud.

Scheduled this year were more than 65 course offerings including the following PIP-related courses:

- HB 119, Current Trends and Updates in PIP Litigation Law
- Clinic Capers-The Sequel
- Uncovering The Cover Up
- Emotional Intelligence & It's Influence on Investigating Fraud Cases
- Did The Accident Really Happen?
- PIP and Lawfulness - Does Anyone Have to Follow the Rules Anymore?
- PIP Fraud: Trials, Tribulations & Tales From the Front Line
- Adjuster/SIU Deposition Strategy
- Combating Low Impact Insurance Claims
- Understanding and Prosecuting RICO and Qui Tam Civil Fraud Actions
- Black Box - What's in it and How do I get it?
- Chiropractic Medicine: A Primer for Property & Casualty Claims Professionals
- Low Speed Impact Injuries: Fact or Fiction?
- Witnesses Inconsistencies During Sworn Statements and Depositions
- Effective Examinations Under Oath: Problem Solving and Practice Tips
- Vehicular Accident Analysis: The Big Picture
- Building Partnerships Between SIU & Defense Counsel in PIP Claim Investigations
- The Truth Lies in the Words - Fraud Detection
- Low Speed Motor Vehicle Collision Reconstruction
- Ready for the Audit? Compliance Issues with Chapter 626 and Rule 69D-2
- Effectively Managing Complex and Emerging SIU Issues
- The Science and Law of Injury Claims in Low-Speed Automobile Collisions

DIF is proud of its continued relationship with FIFEC and its mission to provide up to date and relevant insurance fraud education and training.



June 2013—Detective Dwight Murphy was presented with the Law Enforcement Detective of the Year award at the 2013 Florida Insurance Fraud Education Conference.

Division of Insurance Fraud—In the News



DIF Lieutenants are winners at 2013 SLECA Awards Luncheon

On March 13, the State Law Enforcement Chief's Association held its annual awards ceremony which honors excellence in state law enforcement. The Division of Insurance Fraud was fortunate enough to have two award recipients.

Lt. Violeta Serrano, who supervises a PIP squad in Miami, received the SLECA Leadership Award for her dedication and commitment to state law enforcement. Also, Lt. Deborah de la Paz-Boxer from the West Palm Beach Regional Field Office received the SLECA President's Award for her work as a multi-agency task force supervisor.

Jacksonville DIF Detective Nominated for Attorney General Officer of the Year

Detective Dwight Murphy, of the Division of Insurance Fraud's Jacksonville office, was a nominee for the Attorney General's 2012 Law Enforcement Officer of the Year. Detective Murphy was one of nine nominees. Each nominee for the Attorney General's award had previously been recognized as an "Officer of the Year" by a Florida law enforcement agency or organization that sponsors such a statewide award.

Detective Murphy, who started with DIF in 2008, was nominated for his work on several major cases, including a staged accident ring in which he arrested 23 subjects. Additional arrests are expected.

DIF Seizes Hummer in Tampa Fraud Case

Two years after a successful prosecution of clinic owners, the Division of Insurance Fraud's Tampa office completed the forfeiture of a 2007 Hummer. DIF conducted an undercover investigation into the fraudulent activity of the clinic, Marbella Medical Center, and its owners, Yusimy and Isidoro Martinez. They had opened and operated the clinic after obtaining a false exemption issued by the Florida Agency for Health Care Administration. Yusimy Martinez was sentenced to nine years in prison and two years probation while her husband Isidoro received 22 months in prison and three years probation. Allied Insurance Company assisted DIF in the operation. The Martinez family had also operated Bellamar Medical Center in Tampa.



PIP Fraud—In the News

Chiropractors Convicted in Operation Whiplash

In January 2013, chiropractor William Alden Hall, 66, entered into a plea agreement with the United States Attorney's Office which stated that Hall was the president and straw owner of C & A Family Rehabilitation Center, located in Cape Coral. The clinic was incorporated in 2009 and Hall opened a bank account in the name of the clinic. In exchange for posing as the straw owner of the clinic, Hall was paid \$1,200 a week, and had no other interest in the clinic. Payments to Hall were made to Health First Nutritional, a company owned by Hall. Hall agreed to participate in this role knowing that the true owners needed a license with the Agency for Health Care Administration (AHCA), and operated the clinic without one.

The plea agreement also stated that Hall worked briefly at the clinic, and hired another chiropractor to work there who would prescribe a 12-week course of treatment for all patients, regardless of medical necessity, in order to maximize the PIP insurance payments. Hall agreed to sign off on all claim forms submitted by the clinic, and knew the activities were fraudulent. Hall testified in February 2013 at the federal trial of Stephen Lovell.

In February 2013, chiropractor Stephen Mark Lovell, 55, was convicted of conspiracy to commit health care fraud by a federal jury in Fort Myers. Lovell was among 12 co-conspirators indicted by a federal grand jury in March 2012, as part of a multi-agency task force investigation dubbed Operation Whiplash. That investigation resulted in the federal indictments of individuals at all levels of the criminal organization, including staged crash recruiters, massage therapists, and clinic owners. Hundreds of thousands of dollars in assets were also seized. The case involved two Cape Coral clinics, Xtreme Care Rehabilitation Center, which listed Lovell as the president and sole officer and C & A Family Rehab Center, which listed William Hall as the president and sole officer. However, neither Lovell nor Hall were the true owners, and neither clinic was licensed by AHCA.

Lovell has been licensed in Florida as a chiropractor since August 1986, while Hall was first licensed as a chiropractor in July 1994. Lovell and Hall have been involved with more than 40 accident clinics throughout the state of Florida since 2004.

Sentencing is scheduled for June, and both defendants face up to 20 years in prison. The investigation was conducted by the Cape Coral Police Department, U.S. Secret Service, the City of Miami Police Department, Hialeah Police Department, the Division of Insurance Fraud, IRS, U.S. Attorney's Office and the National Insurance Crime Bureau. Also assisting the investigation were several insurance companies including State Farm, Met Life, Sentry, Travelers, Allstate, Nationwide and Farmers.

Two Mothers Sentenced to Prison Terms for Using their Children in Staged Accident Scheme

In January 2013, two mothers were the latest federal defendants to be sentenced in federal court for their involvement in the ongoing investigation known as Operation Sledgehammer. Ana Ovando, 42, was sentenced to 78 months in prison followed by three years of probation for her role in a staged accident fraud scheme. Ovando used her five children, ages 3 to 17, during three staged accidents that occurred within 12 months. Janice Velez, 39, was sentenced to two years in prison followed by two years probation for her role in the same scheme.

According to court documents and evidence presented at trial, Ovando and Velez made false claims regarding treatment for her and her children that was neither needed nor received. Ovando took her children to New York Medical and Rehab Center and Velez took her children to Karow Chiropractic Center, both located in West Palm Beach. Massage therapists admitted that these patients signed blank treatment sheets the therapists later completed and submitted to the insurance company. U.S. District Judge Donald Middlebrooks told Ovando she had not been a good example for her children and said it was very unfortunate that she used them in her crimes and exposed them to danger. Staging accidents is "particularly injurious to society," he said.

PIP Fraud—In the News

Boca Raton Chiropractor Sentenced to Prison

In February 2013, Jennifer Adams, 39, of Boca Raton, a chiropractor licensed in Florida since 1999, was sentenced to more than four years in federal prison for her role in a multi-million dollar staged accident fraud scheme operated in Palm Beach County. Adams who had faced a maximum term of 20 years, was remanded into custody at sentencing. She was also ordered to pay restitution in the amount of \$1,920,424.83. Adams, who was arrested in June 2012 as part of Operation Sledgehammer, must also relinquish her chiropractor's license.

According to court documents, Adams agreed to place her name on the corporate paperwork for two clinics, thus utilizing her status as a licensed chiropractic physician, to allow the clinics to bill insurance companies directly for PIP claims without obtaining additional licensure from the State of Florida. Those clinics were Ovy Rehabilitation Medical Center in West Palm Beach and Chiropractic Office of South Florida, LLC in Palm Springs, Florida. Although Adams was named as the owner of the clinic on the corporate paperwork, the co-conspirators maintained control of the bank account and operated the clinics.

This conviction is part of the ongoing investigation Operation Sledgehammer worked by the Greater Palm Beach Health Care Fraud Task Force, including the FBI, IRS-CID, the Division of Insurance Fraud, with assistance by the National Insurance Crime Bureau. This case is being prosecuted by Assistant United States Attorney A. Marie Villafaña.

Florida Legislature Considers PIP Repeal

Governor Rick Scott and Chief Financial Officer Jeff Atwater worked alongside Florida lawmakers to tighten the PIP law, which insurance companies and law enforcement officials claim was rife with fraud. But with a recent court ruling calling into question the constitutionality of those changes, lawmakers are now debating whether to scrap the whole system and return to a system in which victims would sue at-fault drivers.

State Senator David Simmons, R-Altamonte Springs, proposed doing away with PIP for bodily-injury coverage, requiring a policy with limits of \$25,000 for a single person and \$50,000 per accident medical care and damages. The measure would also have a \$10,000 limit for property damage.

Dedicated Prosecutors

Beginning 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 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 those State Attorney's Offices identified as within the jurisdictions with the highest incidence of insurance fraud. The program has met with massive success and has expanded on a yearly basis. As of June 30, 2013, a total of 29 full time positions comprise the program with 15 dedicated prosecutors being 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 Worker's Compensation Fraud. The program has been budgeted to expand in fiscal year 2013-2014 with the addition of four assistant state attorneys and two support staff positions being added (one attorney position each to Jacksonville and Miami-Dade; one attorney and one support staff position each to West Palm Beach and Broward), which includes one additional dedicated worker's compensation prosecutor and one additional worker's compensation paralegal in both West Palm Beach and in Broward.

DFS Policy on Fraud Reporting Statute

The 2012 revision of the PIP statute by the Florida Legislature raised questions within the industry about fraud reporting requirements. The Department of Financial Services has issued the policy below to clarify when and how insurance companies must report suspected fraud to the Division of Insurance Fraud.

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 require 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 the DIF, consistent with the procedures established in Ch. 69D-2, F.A.C., that:

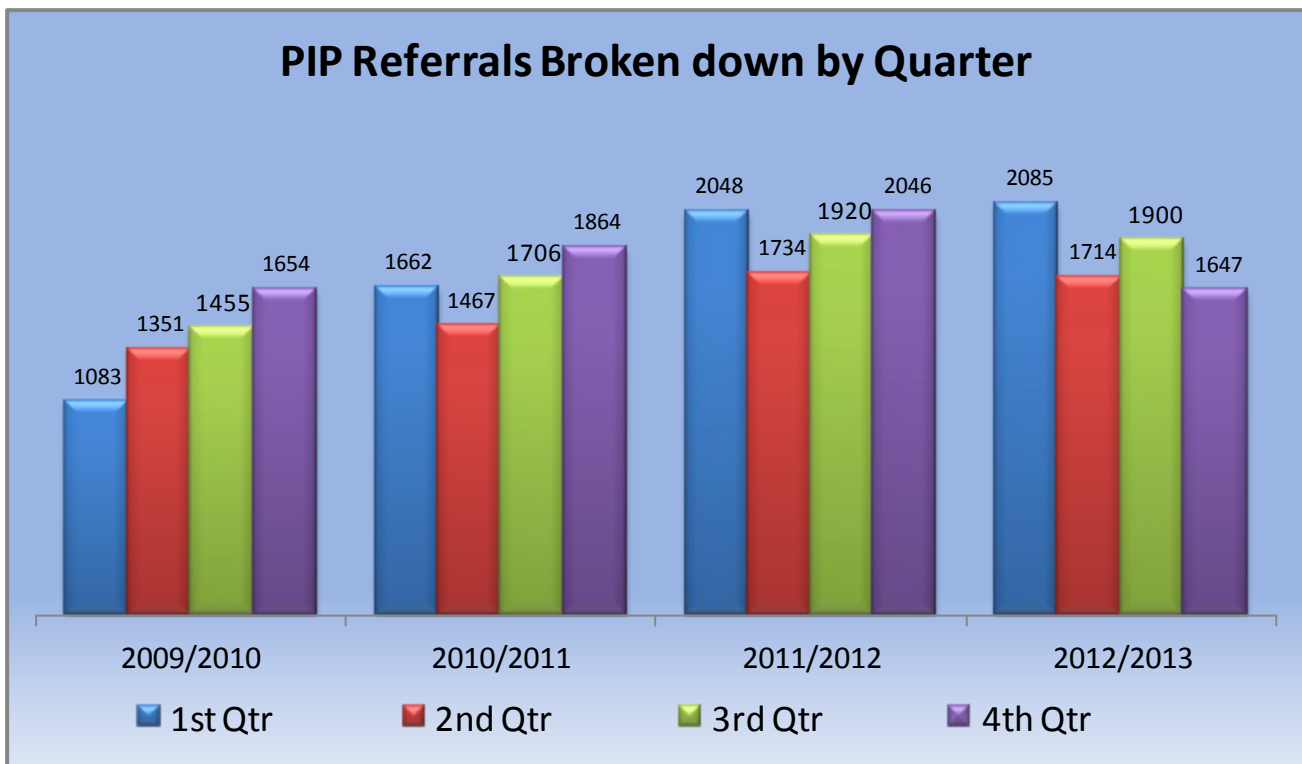
- 1) The reporting of all suspected fraudulent insurance acts shall continue to be processed electronically on the “Suspected Fraud Referral Form” on the Division’s website as in the past;
- 2) An electronically generated response with a Tip # (T#) will acknowledge receipt of the report of the suspected 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.

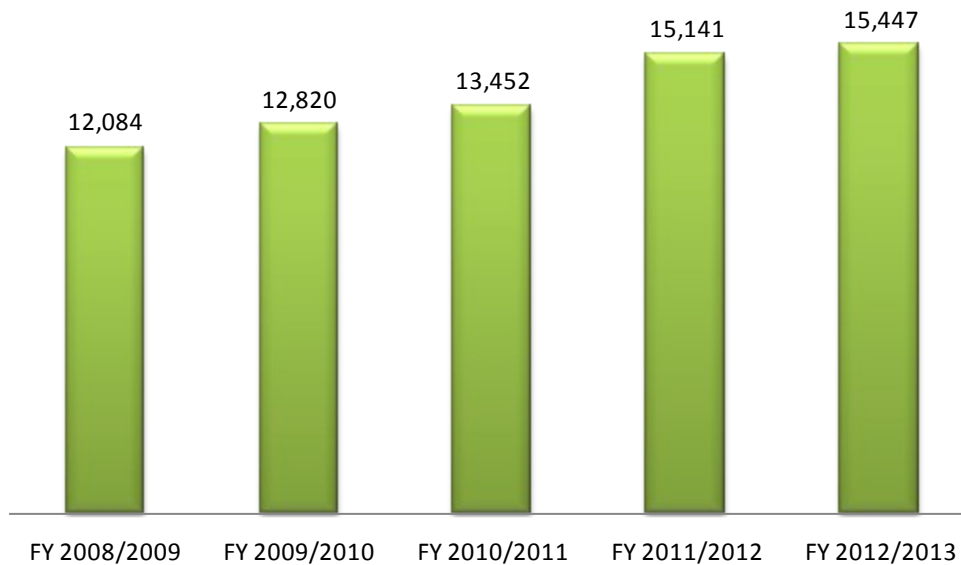
DIF's PIP Fraud Statistics

Last fiscal year, DIF received 7,346 PIP referrals, showing a five percent *decrease* over the previous year.

PIP Referrals Broken Down by Fiscal Year/Quarter					
Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Grand Total
2006/2007	973	843	989	803	3,608
2007/2008	758	776	904	720	3,158
2008/2009	751	869	940	1,064	3,624
2009/2010	1,083	1,351	1,455	1,654	5,543
2010/2011	1,662	1,467	1,706	1,864	6,699
2011/2012	2,049	1,734	1,920	2,045	7,748
2012/2013	2,085	1,714	1,900	1,647	7,346

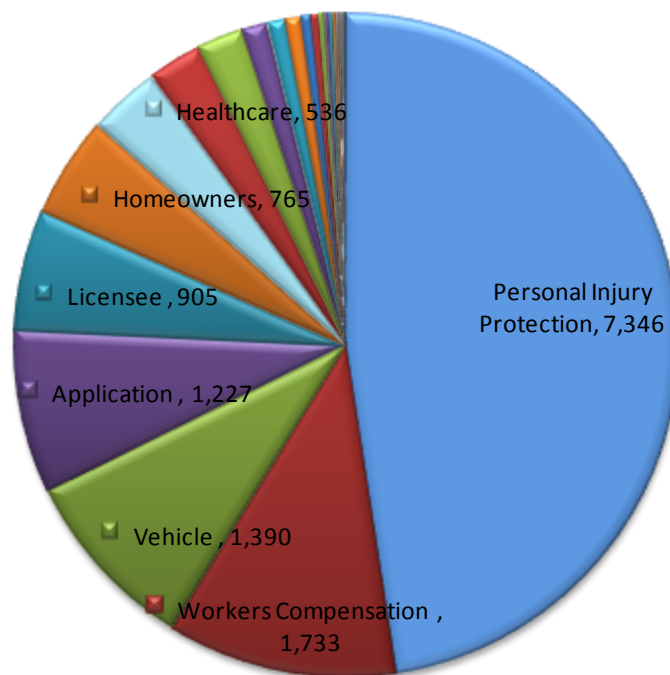


Suspected Fraud Referrals (Tips)



Number of Suspected Fraud Referrals for Each Fraud Type

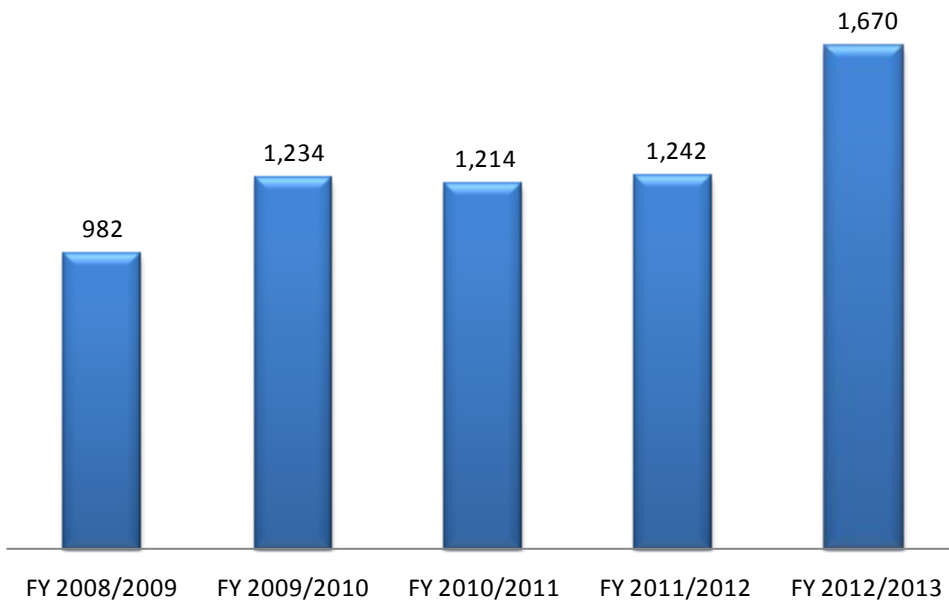
- Personal Injury Protection
- Workers Compensation
- Vehicle
- Application
- Licensee
- Homeowners
- Healthcare
- Commercial
- Banking and Securities
- Duplicate Entry
- Disability
- Arson for Profit
- Financial Investigation
- Non-Insurance Fraud
- Other Agency Assistance
- Life Insurance
- Identity Theft
- Unauthorized Entity
- Warranty
- Information Only
- Marine
- Title Fraud
- My Safe Florida Home



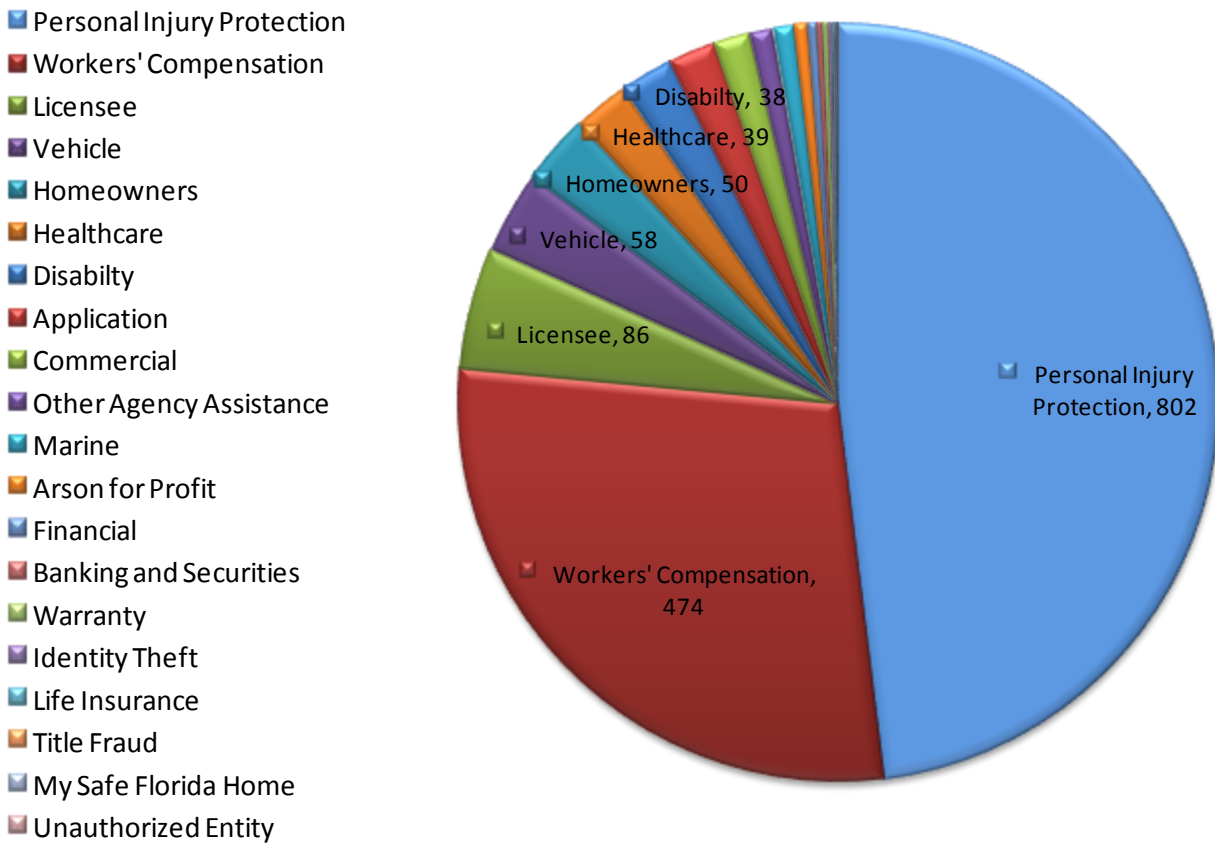
Suspected Fraud Referrals (Tips) Comparison

CASE TYPE	FY 10/11	FY 11/12	FY 12/13	% increase/ decrease
Personal Injury Protection	6,699	7,748	7,346	-5%
Workers' Compensation	1,495	1,388	1,733	25%
Vehicle	1,008	1,167	1,390	19%
Application	883	974	1,227	26%
Licensee	765	704	905	29%
Homeowners	584	663	765	15%
Healthcare	486	426	536	26%
Commercial	404	451	411	-9%
Banking and Securities	287	590	356	-40%
Duplicate Entry	272	359	188	-48%
Disability	81	180	142	-21%
Arson for Profit	152	124	122	-2%
Financial Investigation	94	109	79	-28%
Non-insurance Fraud	15	25	55	120%
Other Agency Assistance	21	32	39	22%
Life Insurance	35	37	33	-11%
Identity Theft	20	37	30	-19%
Unauthorized Entity	64	45	24	-47%
Warranty	19	14	18	29%
Information Only	22	28	15	-46%
Marine	30	23	13	-43%
Title Fraud	8	11	11	0%
My Safe Florida Home	6	3	6	100%

Cases Presented for Prosecution



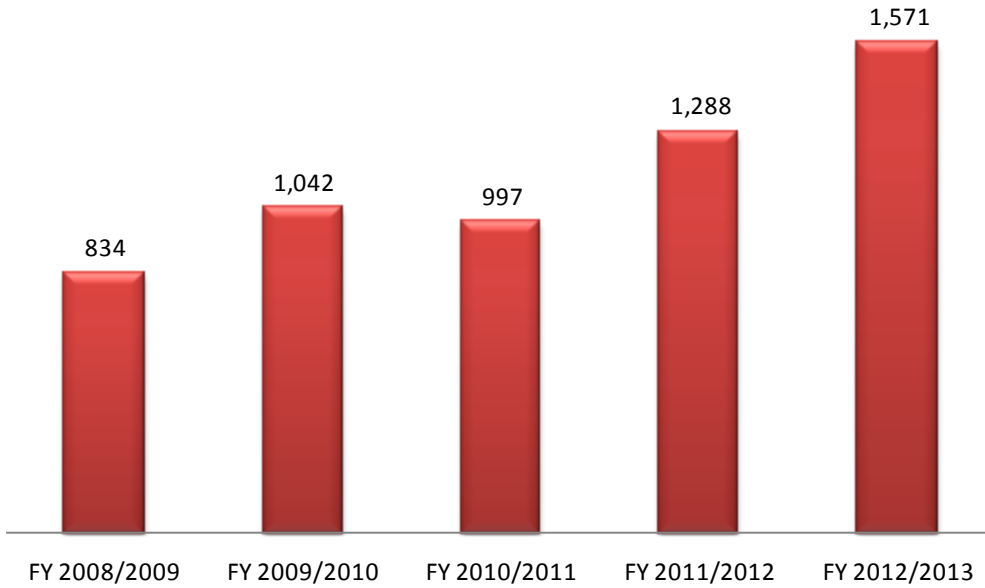
Number of Cases Presented for Prosecution by Fraud Type:



Cases Presented for Prosecution Comparison

CASE TYPE	FY 10/11	FY 11/12	FY 12/13	% increase/ decrease
Personal Injury Protection	429	526	802	52%
Workers' Compensation	336	352	474	34%
Licensee	103	50	86	72%
Vehicle	56	42	58	38%
Homeowners	44	41	50	22%
Healthcare	50	73	39	-47%
Disability	16	25	38	52%
Application	48	29	34	17%
Commercial	23	31	26	-16%
Other Agency Assistance	4	12	16	33%
Marine	3	3	15	400%
Arson for Profit	5	4	11	175%
Financial	25	14	7	-50%
Banking and Securities	58	23	4	-83%
Warranty	2	0	4	400%
Identity Theft	1	2	3	50%
Life Insurance	7	3	2	-33%
Title Fraud	2	7	1	-86%
Unauthorized Entity	2	4	0	-100%
My Safe Florida Home	1	1	0	-100%

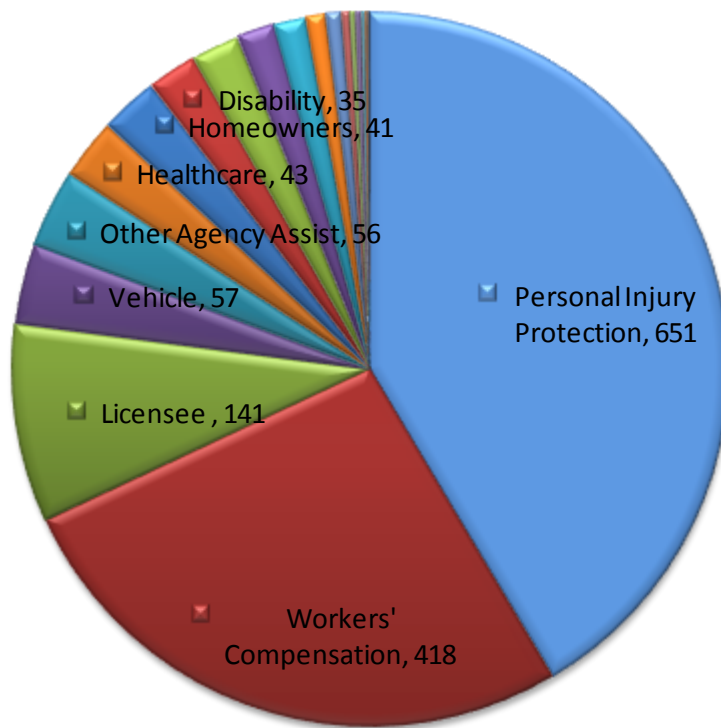
Arrests



Number of Arrests Made by Fraud Type

Arrests

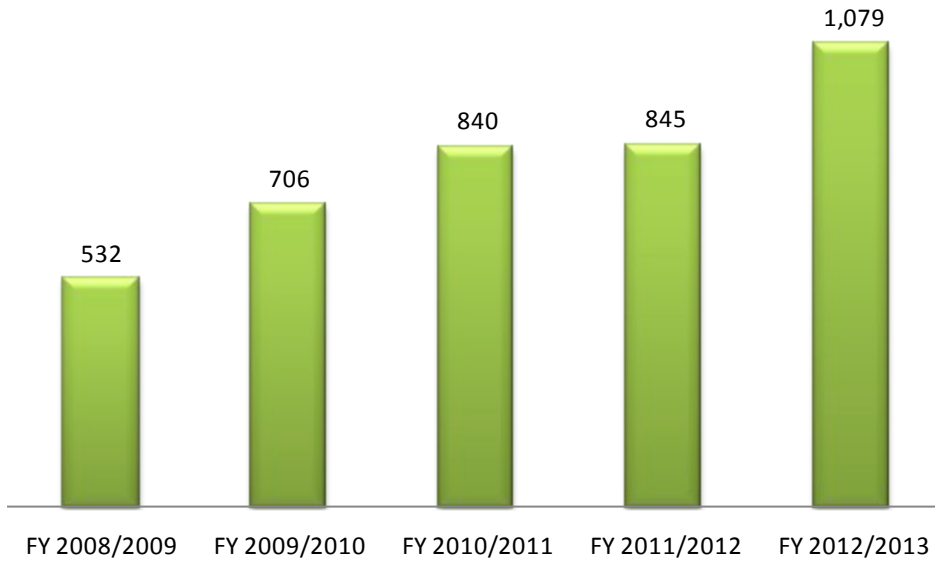
- Personal Injury Protection
- Workers' Compensation
- Licensee
- Vehicle
- Other Agency Assist
- Healthcare
- Homeowners
- Disability
- Application
- Commercial
- Banking and Securities
- Financial
- Arson for Profit
- Life Insurance
- Marine
- Warranty
- Identity Theft
- Title Fraud
- Unauthorized
- Bonds
- My Safe Florida Home



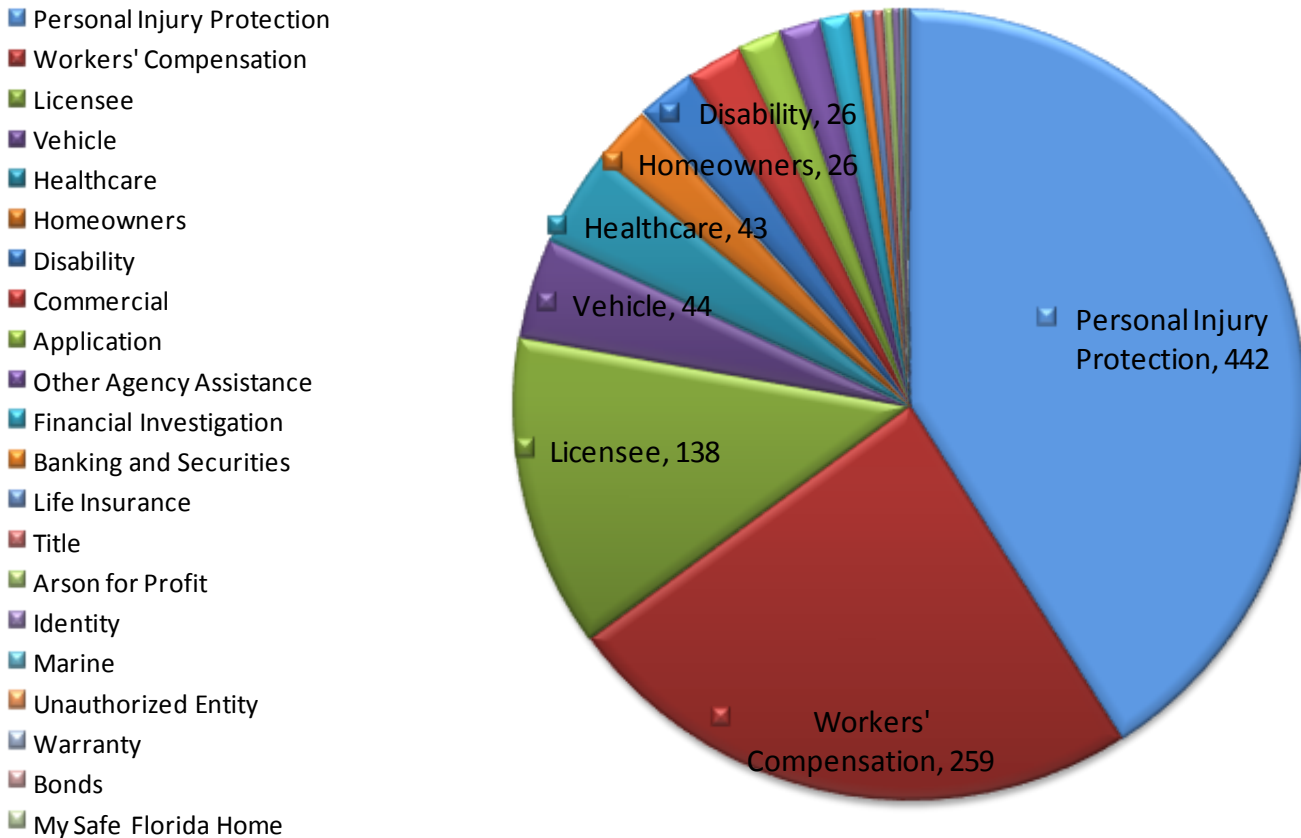
Arrests Comparison

CASE TYPE	FY 10/11	FY 11/12	FY 12/13	% increase/ decrease
Personal Injury Protection	352	496	651	31%
Workers' Compensation	271	274	418	53%
Licensee	70	151	141	-7%
Vehicle	56	41	57	39%
Other Agency Assist	26	40	56	40%
Healthcare	38	60	43	-28%
Homeowners	30	35	41	17%
Disability	14	15	35	133%
Application	40	28	34	21%
Commercial	16	27	27	0%
Banking and Securities	38	30	23	-23%
Financial	29	10	14	40%
Arson for Profit	3	5	11	120%
Life Insurance	3	1	6	500%
Marine	2	5	4	-20%
Warranty	2	0	4	400%
Identity Theft	1	3	3	0%
Title Fraud	3	5	2	-60%
Unauthorized	1	2	1	-50%
Bonds	0	0	0	0%
My Safe Florida Home	1	0	0	0%

Convictions



Number of Convictions Received by Fraud Type



Convictions Comparison

CASE TYPE	FY 10/11	FY 11/12	FY 12/13	% increase/ decrease
Personal Injury Protection	295	355	442	25%
Workers' Compensation	242	208	259	25%
Licensee	49	55	138	151%
Vehicle	73	32	44	38%
Healthcare	27	33	43	30%
Homeowners	34	27	26	-4%
Disability	18	11	26	136%
Commercial	17	12	25	108%
Application	28	32	19	-41%
Other Agency Assistance	4	17	18	6%
Financial Investigation	19	9	13	44%
Banking and Securities	8	37	6	-84%
Life Insurance	4	1	5	400%
Title	12	6	4	-33%
Arson for Profit	5	3	4	33%
Identity	5	1	3	200%
Marine	0	3	2	-33%
Unauthorized Entity	1	3	1	-67%
Warranty	1	0	1	100%
Bonds	0	0	0	0%
My Safe Florida Home	1	0	0	0%

Restitution Requested and Ordered

CASE TYPE	RESTITUTION REQUESTED	COURT ORDERED RESTITUTION
Arson for Profit	\$197,172.91	\$99,920.45
Application	\$722,602.69	\$527,794.72
Banking & Securities	\$160,983.80	\$24,729,312.24
Commercial	\$4,287,744.39	\$52,846.85
Disability	\$798,826.18	\$674,340.53
Financial	\$5,047,854.00	\$39,506,567.10
Healthcare	\$597,793.84	\$344,843.21
Homeowners	\$603,887.48	\$466,183.03
Identity Theft	\$19,794.62	\$593.01
Licensee	\$3,318,637.11	\$25,592,407.67
Life Insurance	\$257,405.22	\$36,157.44
Marine	\$12,700,000.00	\$0.00
Other Agency Assistance	\$331,001.60	\$37,330.12
PIP	\$18,387,248.42	\$10,342,872.53
Title	\$1,540.00	\$8,596,595.24
Vehicle	\$125,576.87	\$96,920.99
Workers' Compensation	\$11,568,205.40	\$1,010,639.93
TOTAL	\$59,126,274.53	\$112,115,575.53

DIF Budget

Salaries and Benefits	\$12,119,465
OPS (Other Personnel Services)	\$45,000
Expenses	\$1,951,619
OCO (Operating Capital Outlay)	\$103,635
Acquisition of Motor Vehicles	\$79,200
Transfer to Justice Administration Commission	\$1,196,826
Contracted Services	\$264,617
Operation of Motor Vehicles	\$96,600
Risk Management Insurance	\$155,002
Salary Incentive Payments	\$202,496
Lease or Lease-Purchase of Equipment	\$46,047
Transfer to Human Resources	\$66,374
Total all Funds	\$16,326,881

During Fiscal Year 2012/2013, 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 Vance Akins

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



DOG TIRED OF YOUR INSURANCE RATES? LOWER THEM REPORT INSURANCE FRAUD!

You may be eligible for a **REWARD 1-800-378-0445**

Department of Financial Services

FOAA



How You Can Help Fight Insurance Fraud in Florida

Last year, 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. Also include a statement that if the donation is to be used for any other purpose, the funding should be withdrawn.

Make a Difference.
Join the Fight.
Be a part of the Solution.