

# **DIVISION OF INSURANCE FRAUD**

## **ANNUAL REPORT**

### **FISCAL YEAR 2007/2008**

**Colonel Vicki Cutcliffe, Director**

#### **OUR MISSION**

To serve and safeguard the public and businesses operating in the State of Florida against acts of insurance fraud.



## **INTRODUCTION**

Since its inception in 1976, The Division of Insurance Fraud (The Division) has served as a national leader in the fight against insurance fraud, continuously ranking in the top five (5) among all state's fraud bureaus and divisions in every key measurement of success established by the Coalition Against Insurance Fraud:

- Number of Referrals
- Number of Cases Opened for Investigation
- Number of Cases Presented for Prosecution
- Number of Arrests
- Amount of Court Ordered Restitution

<http://www.insurancefraud.org/>

During Fiscal Year 2007/2008, The Division experienced transformation and growth; the already quick-step pace was driven to a new velocity under the leadership of Colonel Vicki Cutcliffe, who was appointed as Director of the Division in August, 2007. Recruitment efforts were given priority status, resulting in a notable decline in the number of vacancies. Consequently, Operations were revitalized with new resources dedicated to investigating large scale financial fraud schemes and a continued commitment to investigative priorities within the insurance fraud arena. The Training Section was energized with new tools and the development and delivery of the Florida Department of Financial Services Law Enforcement Investigator Academy.

During Fiscal Year 2007/2008 the Crime Intelligence Analyst Unit was created within The Division. The Crime Intelligence Analysts play a key role in the development and management of complex investigations, and provide a vital contribution to the Division's mission by identifying emerging and existing crime trends, criminal activity and crime patterns, and applying analytical resources to the prevention of fraudulent activities affecting the Florida citizenry.

The boldest pledge to professionalism by The Division during Fiscal Year 2007/2008 was the commitment to seeking accreditation. This process, which includes achieving benchmark measurements of accountability of the highest standards, and continuously meeting those standards, will enhance the Division's standing in the law enforcement community. This distinguished accomplishment is met by only the most disciplined and dedicated agencies across the State of Florida, and is recognized as a most prestigious accomplishment afforded a law enforcement agency. It is the goal of The Division to meet accreditation standards during Fiscal Year 2008/2009.

## **“TOP 10”CASES**

### **Mis-direct Deposit:**

While working as a licensed Insurance Customer Representative, Kelly Ann Killelea deposited, withdrew, and stole client premiums for nearly 18 months before her crimes were discovered while away on vacation. Between March 2006 and August 2007, Killelea stole from one insurance company by misappropriating seventy-seven (77) insurance premium checks in the amount of \$188,272.64, cashed seventeen (17) insurance premium checks totaling \$49,951.50 and deposited (38) checks in the amount of \$122,727.00, accessing those funds through inappropriate withdrawals. Also during that time, Killelea misappropriated twenty-two (22) insurance premium checks totaling \$15,594.64, intended for a second insurance company. Killelea was arrested and charged with two counts of misappropriating insurance funds.

### **Dualing Coverages:**

Using various identities, Wayland Gregory obtained insurance policies from three (3) insurance companies, and for each policy he obtained the maximum amount of coverage allowed by the insurance company. Shortly after purchasing the policies, he intentionally crashed the vehicles and filed claims for payment of medical expenses, property damage, personal injury protection and uninsured motorist coverage. He also filed several workers' compensation claims and slip and fall injury claims believed equally so to be fraudulent. Between 2001 and 2007, Gregory received insurance benefits in excess of \$189,880.55 and attempted to obtain insurance benefits in excess of \$3,477,000.00.

### **Illegal Representation:**

Anthony Scalese, an attorney from Broward County, received settlement money from insurance carriers on behalf of his clients but failed to forward the funds to his clients. Instead, Scalese deposited the funds in his personal account and diverted them to his own use. Scalese was paid settlement money totaling approximately \$150,000 for eleven (11) clients who never received remuneration from him and whose medical bills were never paid.

Scalese was charged with Organized Fraud, seven counts of Grand Theft, and two counts of Uttering Forged Instruments; The Assistant State Attorney requested maximum prison time and has stated that the State will not agree to a settlement of this matter unless Scalese is able to resolve all restitution issues. In addition, the Florida Bar filed a petition with the Florida Supreme Court, and Scalese's license to practice law in the State of Florida was suspended.

### **Surgically altered:**

Suzanne Kurchner was in a motor vehicle accident and submitted medical records from two doctors to her insurance company, alleging treatment as a result of the accident. A total of 37 fraudulent documents were submitted to the insurance company in which the dates were changed, signatures were forged, and documents were submitted for a surgery that was not performed. Kurchner received \$10,000 from her insurance company and attempted to obtain an additional \$100,000 for medical bills. She was arrested for insurance fraud, grand theft and organized scheme to defraud.

### **A Clinical Solicitation:**

Mike Tosca Martinez and Nhon Nguyen solicited at least twenty-five (25) individuals to participate in staged accidents in Broward and Miami-Dade counties and treat at The No More Pain Center, Inc., United Chiropractic Center of Florida, Inc., Broward Care Medical Center, Inc., Broward Care Chiropractic Center, Inc., North Miami Beach Health Center, Inc., Spine Relief Center, and Miramar Spine Relief Center – all clinics owned and operated by Martinez and Nguyen.

Martinez and Nguyen, using the assumed aliases of Mikue Williams and Nancy Tran, obtained fraudulent drivers' licenses and employed several chiropractors who agreed to open clinics under their (the chiropractors') names. Martinez and Nguyen solicited victims of automobile accidents, and staged additional accidents and subsequently filed fraudulent insurance claims totaling in excess of \$3 million.

Martinez and Nguyen were arrested and charged with sixteen counts of Conspiracy to Commit Health Care Fraud, one count of Health Care Fraud, one count Conspiracy to Commit Money Laundering, and twenty-three counts of Money Laundering.

### **Riding Coach:**

Willie James Coachman set up business in a dilapidated construction trailer in Hillsborough County and ran an advertisement in a local newspaper that read, "For \$100.00 you can get insurance for your vehicle and/or your driver license re-instated. Call (*the number on the advertisement*) and ask for Jerry," and with the help of several family member co-conspirators began selling fictitious automobile insurance cards to consumers who believed they were legitimately purchasing binding insurance coverage. When Coachman sold the cards to undercover officers with the Division of Insurance Fraud, he was arrested and charged with Selling Insurance without a License, Uttering Forged Instruments, Conspiracy and Organized Fraud.

### **A Bad Extraction:**

Dr. Amy Masri, a dentist licensed in the state of Florida, billed both third party administrators and private insurance companies for services to approximately forty (40) patients that were never rendered. Dr. Masri also billed her private insurance carrier for services she allegedly performed on herself and her husband under her maiden name, which included a 2003 claim for the extraction of her wisdom teeth; investigation revealed that Masri's wisdom teeth had already been removed in 2000 by another orthodontist.

Dr. Masri was arrested and charged with grand theft and her dental license was suspended by the Florida Board of Dentistry pending case resolution. While out on bond, Dr. Masri was discovered treating patients and was subsequently Re-arrested and charged with practicing without a license in violation of her suspension order by the board. She eventually pled guilty and was placed on ten years probation, ordered to pay restitution and investigative costs, and her license to practice dentistry was permanently revoked.

### **Rent Money:**

Christiano Leonardo Gloria orchestrated a complex workers' compensation premium scheme with several co-conspirators, including Dero William Viera, which resulted in fraudulent claims in the amount of approximately \$158,000, avoided premium losses of approximately \$500,000 and tax evasion on approximately \$27 M in payroll which was laundered through money transmitters in South Florida between September 2002 and March 2007. The scheme was uncovered after several suspicious claims for work place accidents were submitted at the cost of \$250,000 on behalf of WM Construction, a shell construction company allegedly operated by Dero William Viera.

Shell companies were established by Gloria's co-conspirators who lied on applications to obtain workers' compensation certificates of insurance. The certificates of insurance were then rented to construction workers who could not otherwise obtain workers compensation coverage because they could not provide required documentation, such as social security numbers and proof of legitimate residency or citizenship. This scheme provided contractors with certificates of insurance reflecting that dozens of sub-contractors and hundreds of employees, frequently undocumented workers, were covered by workers' compensation insurance, when in reality, none of the sub-contractors or employees was affiliated with the shell companies. Checks from the contractors were made payable to the shell companies and cashed at Money Service Businesses (MSB) for a fee. The money from the check cashing was then dispersed to sub-contractors and employees. Gloria withheld a percentage of the funds as a fee for cashing the checks, and set aside a percentage of 7 to 10% of the value of the check for the 'rental' of the workers' compensation policy. Gloria falsified

internal records to document that the money was wired by Viera; however, Viera was not operating the construction business of WM Construction, Inc., or wiring money from the company checks; rather, Viera was in Brazil.

Gloria was arrested and charged with 111 counts for falsifying Currency Transaction Reports (CTR) filed with the federal government and 1 count each of Structuring Financial Transactions over a twelve month period in excess of \$100,000; Racketeering, and Conspiracy to Commit Racketeering.

Viera is a fugitive and remains criminally liable for WC Premiums, thousands of dollars in fraudulent claims, and thousands of dollars in investigative costs. Additionally, the State will seek to have the fugitive forfeit in excess one half a million dollars which is the minimal profit obtained from the criminal enterprise.

The co-conspirators were arrested and pled guilty to Conspiracy, Filing False Currency Transaction Reports, and Money Laundering and were ordered to pay restitution and investigative costs.

**Feeling Entitled:**

After establishing her own title agency, Erica Daniels opened three (3) bank accounts; an escrow account, an operating account, and a payroll account. The accounts were opened with the same bank in which she had two (2) existing accounts; a joint checking account with her husband and a business account for a tree and lawn maintenance business. Within six months of opening the agency, an initial audit was conducted by the title insurance company and the audit revealed discrepancies between the escrow accounts and the original escrow files, bank statements and checks. Follow-up audits continued along with repeated requests by the insurance company for current escrow reconciliations, but Daniels continuously ignored the requests and avoided contact with the insurance company. A resulting investigation into the discrepancies revealed that Daniels transferred a total of \$566,910.02 from the escrow account between 2005 and 2007 and diverted the funds to her own use for the purchase a home, a BMW sedan, an in-ground swimming pool for her home, and a wave runner water craft. And further, Daniels also diverted \$173,058.55 from the title agency operating account for her day to day expenses, purchasing personal items, home products, funding travel and meals, medical expenses, purchasing a camper/trailer, sporting goods, jewelry, groceries and other personal items.

Daniels was arrested and charged with Misappropriation/Violation of Trust Funds, Grand Theft, Money Laundering, and Insurance Fraud.



*And our favorite fraud story for Fiscal Year 2007/2008:*

**Without Work:**

Estlund Tree Service, a landscaping business located in Sarasota County, was operating without Workers' Compensation coverage when a tree limb fell on an employee, crushing his arm. The injured employee received over \$250,000 in medical treatments, was left with a permanently disfigured hand and arm, and was unable to gain employment for several years due to the extensive injuries. The owner, Donald Estlund, did not compensate the injured employee for any of the medical bills and failed to reimburse the injured employee for resulting lost wages; he was arrested and pled guilty to operating a business without workers' compensation benefits and was ordered to pay restitution to the injured employee in the amount of \$235,000.

*But the story doesn't end there.....*Recognizing the life-altering extent of the injuries and their permanence; and realizing the exorbitant debt resulting from the accident, *Division of Insurance Fraud* detectives worked above and beyond to assist the injured employee in finding gainful employment. He is now employed with a landscaping company in Florida (who has legitimate workers' compensation coverage!) providing written estimates to potential customers.



## **STAFFING**

During fiscal year 2007/2008, the Division of Insurance Fraud employed 196 fulltime employees:

29 law enforcement supervisors  
1 Senior Attorney (sworn)  
24 civilian administrative personnel  
124 law enforcement detectives  
18 Crime Intelligence Analysts

### Office of the Director:

*Colonel Vicki Cutcliffe*

*Lt. Colonel Mark Schlein*

During Fiscal Year 2007/2008, Colonel Vicki Cutcliffe was appointed as Director of the Division of Insurance Fraud and Lt. Colonel Mark Schlein joined the Division as Senior Legal Counsel. The Office of the Director set forth a concentrated agenda to address the rise in complex financial insurance fraud schemes in addition to the ongoing commitment to combating insurance fraud on all fronts.

### Bureau of Workers' Compensation Fraud

*Major John Corbett, Bureau Chief*

During Fiscal Year 2007/2008, the Bureau of Workers' Compensation Fraud experienced significant success in the presentation and prosecution of cases involving money service businesses and the diversion and laundering of workers' compensation premiums; Major John Corbett was promoted to Bureau Chief.

### Operations and Investigations (General Fraud)

*Major Jack Kelley*

During Fiscal Year 2007/2008, Investigations and Operations (General Fraud) experienced continued success in the presentation and prosecution of personal injury protection fraud cases involving entrepreneurial clinic operations and staged accidents. Additional efforts were assigned to address the surge in financially motivated complex insurance fraud schemes and the protection of senior citizens against schemes designed to pilfer nest eggs.

### Office of Professional Standards:

*Major Donald Frost, Law Enforcement Program Administrator*

During Fiscal Year 2007/2008, the Office of Professional Standards expanded the Training and Special Operations and Staff Inspections/Accreditation Sections of the Division.



Crime Intelligence Analyst Unit

*Senior Management Analyst Supervisor Cherri Krall*

During Fiscal Year 2007/2008, The Crime Intelligence Analyst Unit was established as an independent entity; the Crime Intelligence Analyst Supervisor, previously serving in a peripheral supervisory role, was promoted to Senior Management Analyst Supervisor and assigned the management of the Unit; four (4) Crime Intelligence Analysts were promoted to Crime Intelligence Analyst Supervisors and assigned supervision of the Crime Intelligence Analysts assigned to nine (9) field offices across the state.

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

*Senior Management Analyst Denise Prather*

During Fiscal Year 2007/2008, The Hotline Unit received 5,309 calls and the Anti-fraud/Special Investigations Compliance Section reviewed approximately 115 anti-fraud plans.



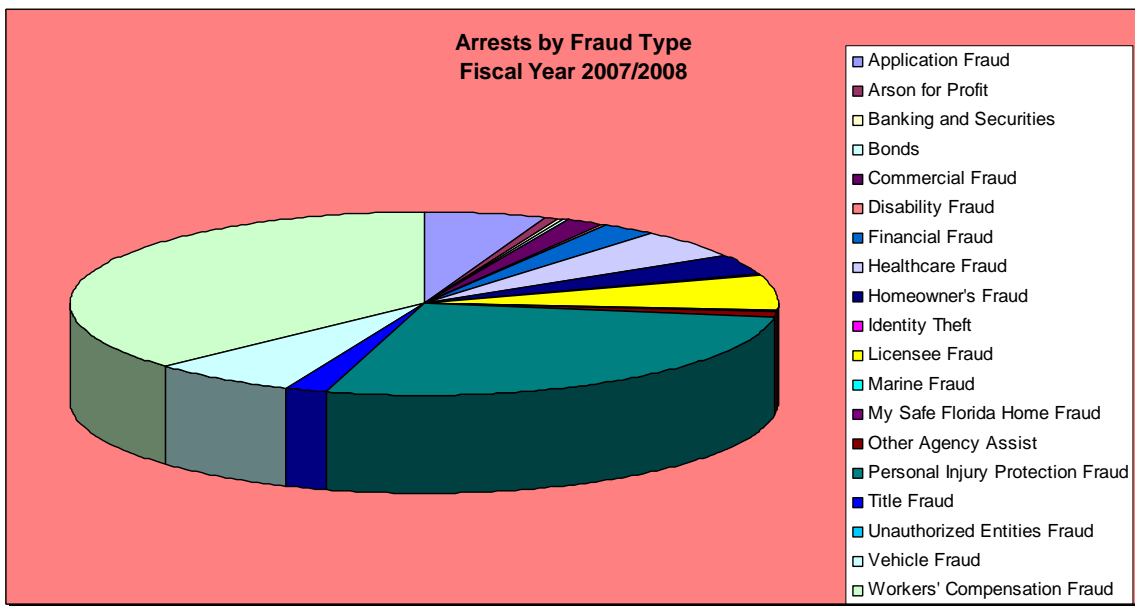
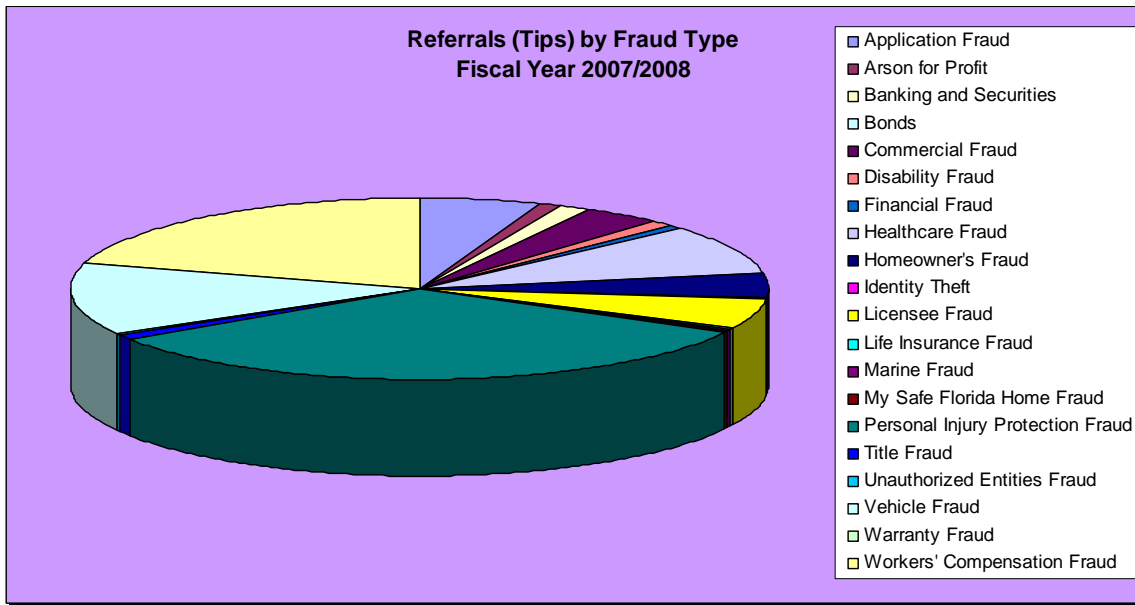
## **PERFORMANCE AND PRODUCTIVITY**

The Division of Insurance Fraud is recognized as a national leader in the fight against insurance fraud; ranking in the top five in key measurements of success as defined by the *Coalition Against Insurance Fraud (CAIF)*. According to CAIF, Florida's Division of Insurance Fraud led the nation in the recovery of insurance fraud related losses through court ordered restitution in Fiscal Year 2007/2008; cases presented for prosecution by Division of Insurance Fraud detectives resulted in \$94 million in court ordered restitution, which is 5.5 times greater than the operating budget allocated for the Division.

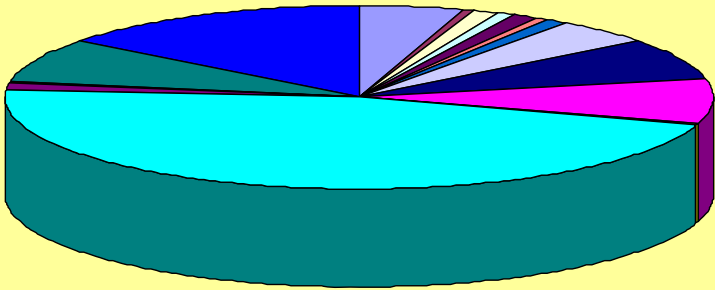
Additionally, by national comparison, the Division of Insurance Fraud ranked 2<sup>nd</sup> in the number of arrests, 3<sup>rd</sup> in the number of cases presented for prosecution and 4<sup>th</sup> in the number of referrals received in Fiscal Year 2007/2008.

### **Fiscal Year 2007/2008 Statistics**

Referrals (Tips)	9,916
Arrests	816
Presentations	873
Convictions	663
Court Ordered Restitution	\$94,103,679.08

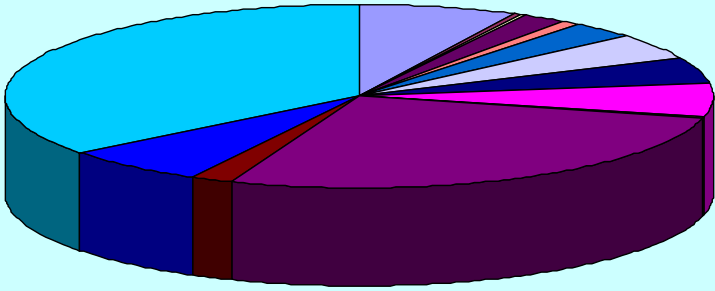


**Convictions by Fraud Type  
Fiscal Year 2007/2008**



- Application Fraud
- Arson for Profit
- Banking and Securities
- Bonds
- Commercial Fraud
- Disability Fraud
- Financial Fraud
- Healthcare Fraud
- Homeowner's Fraud
- Licensee Fraud
- Life Insurance Fraud
- Personal Injury Protection Fraud
- Title Fraud
- Unauthorized Entities Fraud
- Vehicle Fraud
- Workers' Compensation Fraud

**Presentations by Fraud Type  
Fiscal Year 2007/2008**

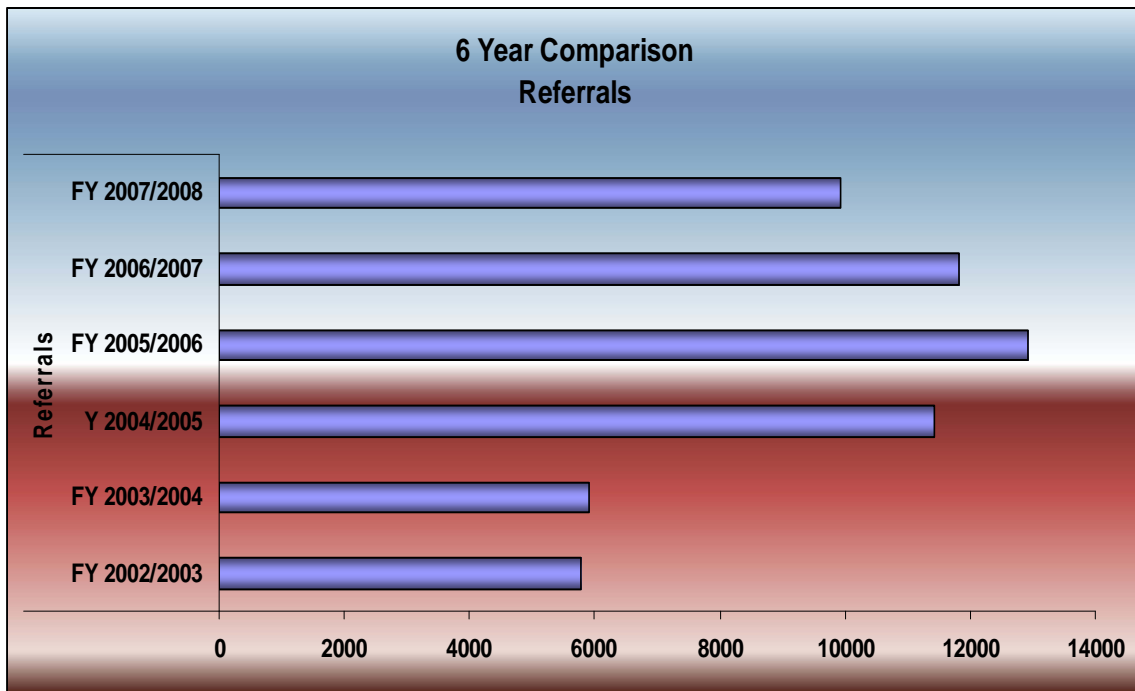


- Application Fraud
- Arson for Profit
- Banking and Securities
- Bonds
- Commercial Fraud
- Disability Fraud
- Financial Fraud
- Healthcare Fraud
- Homeowner's Fraud
- Licensee Fraud
- Marine Fraud
- My Florida Safe Home Fraud
- Personal Injury Protection Fraud
- Title Fraud
- Unauthorized Entities Fraud
- Vehicle Fraud
- Workers' Compensation Fraud

***Six Year Comparative Statistics***

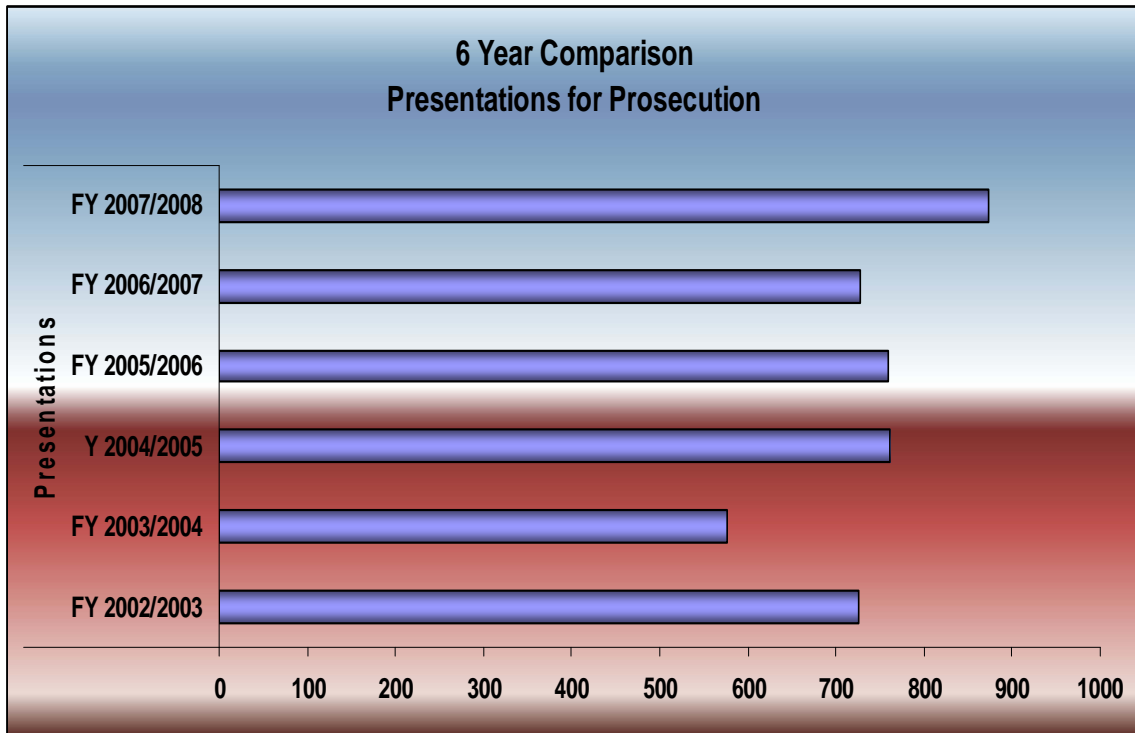
**Referrals (Tips):**

Fiscal Year 2002/2003	5,781
Fiscal Year 2003/2004	5,912
Fiscal Year 2004/2005	11,416
Fiscal Year 2005/2006	12,920
Fiscal Year 2006/2007	11,812
<b><i>Fiscal Year 2007/2008</i></b>	<b><i>9,916</i></b>



**Cases Presented for Prosecution:**

Fiscal Year 2002/2003	726
Fiscal Year 2003/2004	576
Fiscal Year 2004/2005	761
Fiscal Year 2005/2006	759
Fiscal Year 2006/2007	727
<b><i>Fiscal Year 2007/2008</i></b>	<b><i>873</i></b>



**Arrests:**

Fiscal Year 2002/2003            626

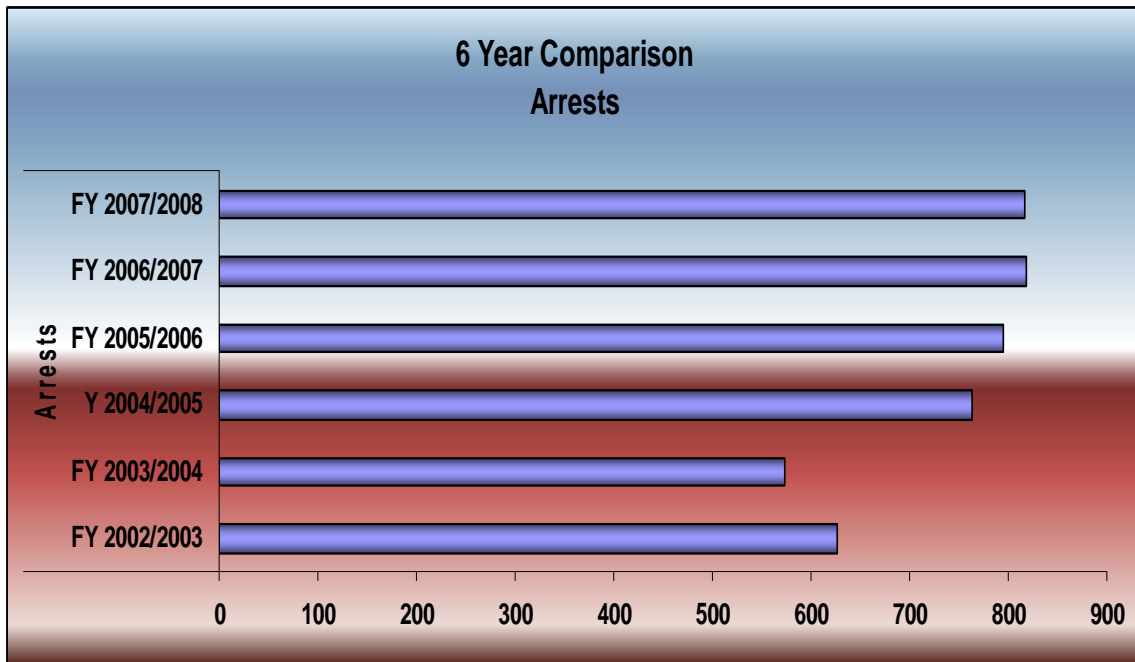
Fiscal Year 2003/2004            573

Fiscal Year 2004/2005            764

Fiscal Year 2005/2006            795

Fiscal Year 2006/2007            819

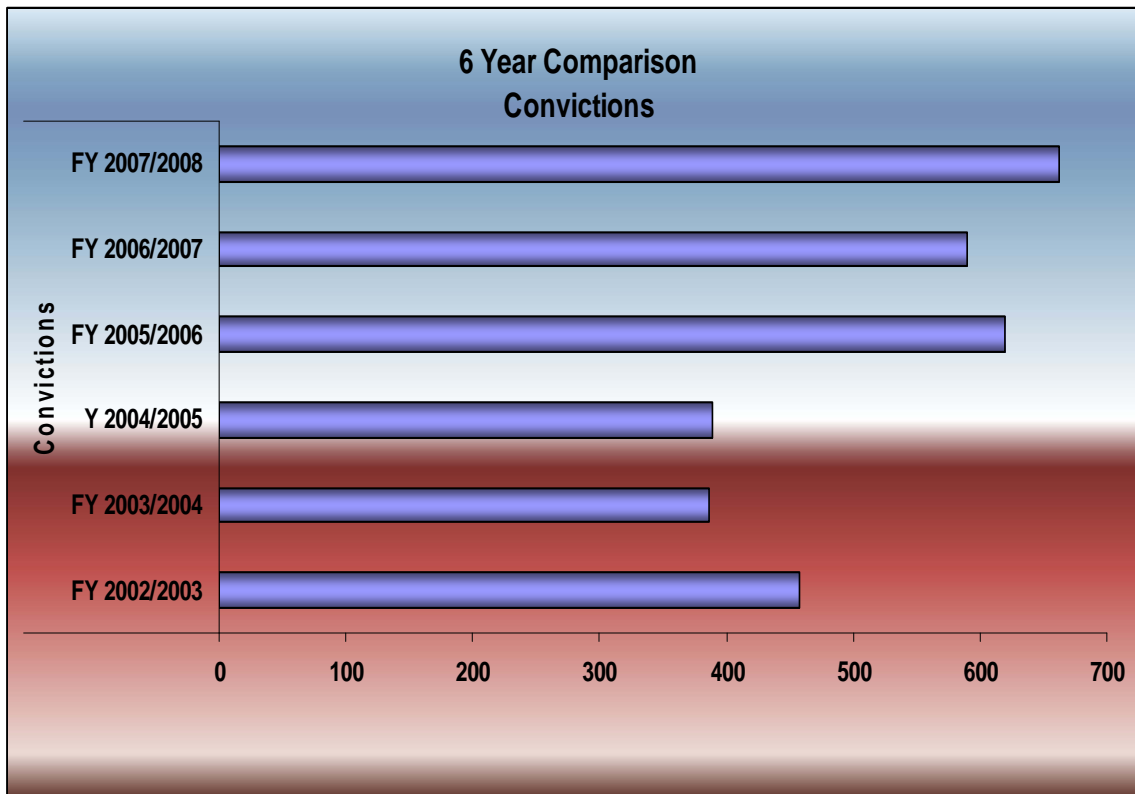
***Fiscal Year 2007/2008            816***





**Convictions:**

Fiscal Year 2002/2003	458
Fiscal Year 2003/2004	386
Fiscal Year 2004/2005	389
Fiscal Year 2005/2006	620
Fiscal Year 2006/2007	590
<b><i>Fiscal Year 2007/2008</i></b>	<b><i>663</i></b>



## **TRENDS AND CONDITIONS**

Dominating the landscape of insurance fraud in Florida during fiscal year 2007/2008 were Personal injury protection (PIP) fraud – specifically staged accident schemes; workers’ compensation fraud involving money service businesses; and application fraud involving various lucrative insurance product diversions and schemes, of which title insurance fraud related to the mortgage fraud crisis was significant. As a result of the sluggish economy, anticipated increases in vehicle fraud, specifically ditching and give-backs, and homeowners’ fraud (an additional product of the mortgage fraud crisis) were closely monitored and remain on the radar of the Division of Insurance Fraud.

Additional impacts of the economic down-turn and the mortgage fraud crisis include various financial schemes involving title agents and title insurance products. This emerging trend, and subsequent conditions, prompted a renewed commitment and response to complex financial fraud schemes by the Division of Insurance Fraud.

## **BUDGET** **Fiscal Year 2007/2008**

Salaries	\$12,244,134
OPS	\$85,833
Expenses	\$2,274,739
OCO	\$252,980
Acquisition of Motor Vehicles	\$772,200
JAC for PIP Fraud	\$592,461
Contracted Services	\$171,943
Risk Management Services	\$244,085
Salary Incentive Pay	\$246,100
DMS/HR Services Contract	\$78,564
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	<b>\$16,963,039</b>