Florida Department of Financial Services

Division of Insurance Fraud
Annual Report
Fiscal Year 2009/2010

John Askins, Director

Our Mission

To serve and safeguard the public and businesses operating in the State of Florida against acts of Insurance Fraud.

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Director's Message

On behalf of CFO Alex Sink, Deputy CFO Brian London, and the men and women of the Division of Insurance Fraud, I am pleased to present the annual report for the Division of Insurance Fraud for Fiscal Year 2009/2010.

Those of us fighting the battle against insurance fraud certainly live in interesting times. While many Floridians struggle financially due to a faltering economy, the ingenuity of white collar criminals to defraud our citizens and insurance companies never ceases to amaze and motivate us.

Just when we thought that PIP fraud couldn't get any worse, it did. A number of organized fraud rings relocated from Miami to Tampa where there has been an explosion of staged auto accidents. Regulatory reform of the legal and medical communities is vital if we are to stem the tide of this ever growing problem.

Insidious fraud by unscrupulous public adjusters appears to have reached epidemic proportions, with scores of homes intentionally damaged by fire, water, or sledge hammers. It is our resolve to continue working diligently with insurance industry and other law enforcement personnel to increase the arrests and convictions of these culprits.

Detectives with the Division made 1,042 felony arrests during Fiscal Year 2009/2010, an approximate 20% increase from the previous year. Our 706 convictions resulted in court ordered restitution totaling $63,061,289.39. Behind those numbers are many interesting cases, some of which are mentioned in this annual report. Among the most gratifying to us are the arrests of scam artists who preyed upon our senior citizens.

We are proud of our accomplishments, but mindful that striving to improve our quality and productivity is a never ending goal. The citizens of Florida deserve nothing less.

As CFO Alex Sink's four year term winds down, all of us extend to her our sincere thanks and appreciation for the unwavering support she has given to the Division of Insurance Fraud.

Finally, we again want to thank all of our friends in law enforcement, the insurance industry, and various regulatory agencies for your continued support and cooperation.

Respectfully,

John Askins, Director

Division of Insurance Fraud

Accreditation: Highest Standards of Professionalism

The Division of Insurance Fraud was accredited by the Commission for Florida Law Enforcement Accreditation (CFA) in February of 2009.

Since that time, the Division has maintained its accredited status and has kept abreast of changing standards, which reflect the "best practices" concept embraced by the Commission. Additionally, a representative of the Division has been appointed to the "Standards Review and Interpretation Committee" (SRIC) to represent the interests of state law enforcement agencies.

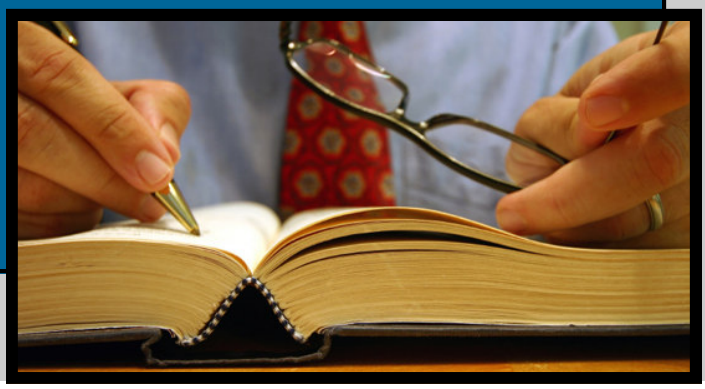
Accreditation for law enforcement agencies is similar to that received by universities and hospitals. This is an intense process for which the Division had to demonstrate compliance with 260 standards which reflect nine areas:

- Roles, responsibilities and relationships with other agencies
- Organization, management and administration
- Personnel structure
- Personnel process
- Operations
- Operations support
- Traffic operations
- Prisoner and court related activities
- Auxiliary and technical services

Once received, accreditation is an ongoing process, and the Division must report to the Commission annually that the standards are being maintained.

Each accredited law enforcement agency is reviewed every three years after the initial accredited status is received. The Division of Insurance Fraud will be reviewed for reaccreditation in February of 2012. During 2011, the Division will undergo two comprehensive inspections to ensure compliance with the accreditation standards. During these inspections, trained assessors assigned by the Commission will review operating records, interview sworn and civilian members of the Division, and conduct onsite inspections of field offices throughout the state.

Adherence to the accreditation standards has resulted in a more professional, cost effective agency. As only approximately 20% of law enforcement agencies nationwide are accredited, the citizens of the State of Florida can be proud of this achievement.



Long Term Investigations: Major Case Squad (MCS)

One result of the serious economic recession has been an increase in the variety of fraud schemes and insurance related crimes, many of which target Florida's most vulnerable citizens such as the elderly and unemployed. These and other financial frauds cost Floridians millions of dollars each year.

Aggressive investigation and prosecution of fraud and other financial crimes is an important factor in restoring stability to our economy. Large-scale mortgage fraud, health care fraud, workers compensation premium fraud and identity theft are often perpetrated by organized criminal enterprises. These crime rings frequently use sophisticated computer technology, money service businesses, offshore banking, and complex financial mechanisms to facilitate their criminal activity and launder their illicit proceeds.

To more effectively fight these organized fraud rings, the Division has created a Major Case Squad (MCS). The MCS, which reports to the Director's Office, is staffed with a Lieutenant, four detectives and a crime intelligence analyst. These detectives, who are selected because of their investigative training and experience, are assigned throughout the state – currently in Tallahassee, Miami, Orlando and Tampa.

MCS Detectives work closely with a variety of federal agencies, including U.S. Immigration and Customs Enforcement (ICE) and the Federal Bureau of Investigation, to investigate major organized criminal enterprises. MCS detectives have been cross designated as federal agents providing enhanced law enforcement authority and a greater ability to share assets seized during joint investigations.

The Major Case Squad specializes in complex, long term financial investigations. As the result of one such criminal investigation, MCS detectives recently partnered with ICE in the seizure of a multi-million dollar home in South Florida. The home (pictured below) was purchased for over $3,000,000 in illicit cash proceeds. When sold, the Division's equitable share of the proceeds will be deposited into the law enforcement trust fund and used to enhance the Division's investigative capability.

PIP Fraud is a problem in Florida, and accounts for more than 40% of the referrals made to the Division of Insurance Fraud.

A June 2010 report by NICB listed four Florida cities in the top ten nationally for staged accidents: Tampa, Miami, Orlando and Hialeah. The Tampa-Orlando corridor is the current hot spot for this type of fraud, edging ahead of Miami-Hialeah in explosive fashion.

The Division reorganized in 2009, setting up dedicated squads to investigate PIP cases in Broward, Palm Beach, Orlando, Tampa and Ft. Myers. A statewide initiative was established this year under the guidance of Captain Steve Smith, to coordinate the efforts to fight PIP Fraud by expanding on the success realized by the dedicated squads previously established in Miami.

Our statewide initiative includes ensuring the resources get to the areas in need; establishing better coordination between the Division of Insurance Fraud (DIF) and other law enforcement agencies; providing more detailed information to the public and media on successful arrests and prosecutions; and educating and informing the communities targeted by this crime. DIF also hosted two strategic planning meetings with law enforcement and industry leaders to find solutions to the growing problem.

An important partner in our success is the National Insurance Crime Bureau (NICB), and they are answering the challenge in Central Florida with the creation of a new Fraud Task Force. It will be located in Tampa, with the goal of copying the achievements of the South Florida Medical Fraud Task Force that began in 2002. Of course, both DIF and NICB owe a great deal of gratitude to the dedicated SIU investigators throughout the State.

PIP Fraud affects each and every Floridian, mostly through higher premiums paid for auto insurance. Unfortunately, many of the immigrants that come to live and work in Florida are targeted by unscrupulous clinic owners and thugs who recruit them into illegal activity. We are inundated with commercials advising how much money you can make from an accident. The truth is those ads are misleading; the people making the lion's share of the illegal proceeds are the clinic owners and lawyers, who take advantage of persons who don't know enough about the laws in Florida, or the consequences of going along for the ride.

When PIP Fraud is involved, there is no free ride.

The Bureau of Workers' Compensation Fraud Fights Identity Theft

The Federal Trade Commission reports as many as 9 million Americans have their identities stolen each year. Identify theft is a serious crime, and while some victims can quickly resolve their problems, others spend hundreds of dollars and many days repairing damage to their good name and credit record.

As evident by the number of referrals received by the Division, the identity theft crime trend appears to remain steady, if not increasing. During the week of May 17, 2010, through a coordinated state-wide investigative effort, the Division's Bureau of Workers' Compensation Fraud detectives made 15 arrests and obtained 5 warrants for fraudulent use of social security numbers.

The Bureau of Workers' Compensation Fraud detectives identified over a hundred individuals who fraudulently used social security numbers that were issued to someone else. Additionally, the suspects' wages were being reported by their employer to the Florida Department of Revenue.

Affidavits from victims attested to the fact that the social security numbers were issued to them by the Social Security Administration and they did not give any other persons permission to use their social security numbers for employment or any other purposes. The Division also received certification from the Social Security Administration that these numbers belong to seventeen victims other than persons who were using the numbers.

The Bureau of Workers' Compensation Fraud will continue to determine subjects who are illegally using social security numbers, and work those cases throughout the state. Additionally, the Division will continue to work closely with the Social Security Administration, as well as the various State Attorneys' Offices in the identification and prosecution of these individuals.

"Identity theft is a huge and costly problem, and employers who turn a blind eye pose a very real and serious threat to the public."

CFO Alex Sink,
Florida Department of Financial Services

NOTEWORTHY INSURANCE FRAUD CASES

Case #1
Public Adjuster Creates Damage To Obtain More Insurance Money

The Division of Insurance Fraud and Bureau of Fire and Arson Investigations teamed up with Miami Dade Police Department's Arson Unit in a joint undercover operation which resulted in the execution of a search warrant, and the arrest of five public adjusters.

The president of a public adjusting firm and four other employees were charged collectively with multiple counts of Grand Theft, Insurance Fraud, Organized Scheme to Defraud, Tampering or Fabricating Physical Evidence, Communication Fraud, Conspiracy to Commit Grand Theft, and Conspiracy to Tamper or Fabricate Physical Evidence.

The investigation focused on two homes that suffered kitchen fires. In one of the homes, the residents called the adjusters to check out damage to a microwave and kitchen cabinets. The adjusters went to the Miami-Dade home to assess the damage and told the residents they could get more insurance money if the tile floors were damaged. One of the adjusters, later identified as the president of the firm, then smashed the floor twice with a frying pan; and when that didn't work he grabbed a yellow hammer from the garage. As the residents walked away, they heard two loud strikes – the hammer hitting the floor. The president of the firm then put through paperwork valuing the claim at nearly $70,000 when it should have been no more than $10,000 to $20,000.

If convicted, the public adjuster and employees could be sentenced between 5 and 15 years in prison.

Case #2
Clinic Using A Stolen Identity To File Unlawful Insurance Bills

The owner of a medical clinic in Lake Worth, Florida, was arrested for operating a clinic using a stolen identity and for submitting more than $1.5 million in unlawful insurance bills.

The owner was charged with Criminal Use of Personal Identification Information in the use of a physician's name without permission or knowledge by the physician, as well as Grand Theft; both charges are first-degree felonies. The owner was arrested outside of his West Palm Beach home in March, 2010.

Case #3
Arrest Of A "Shameless" Scammer

A Tallahassee man was arrested on charges of arson, insurance fraud and grand theft after the State Fire Marshal (SFM) and Insurance Fraud (DIF) detectives determined the suspect intentionally set fire to his yacht, a 50-foot SeaRay named "Shameless," and then filed a false insurance claim for the purpose of collecting insurance benefits.

The arson was discovered when an evidence analysis established the presence of gasoline on the SeaRay, which runs on diesel fuel.

If convicted, he faces up to 65 years behind bars.

NOTEWORTHY INSURANCE FRAUD CASES

Case #4

Insurance Agent Arrested After Scamming Elders Out Of Millions of Dollars

A Davie, Florida, insurance agent was arrested for knowingly making material misrepresentations on life insurance applications, agent certifications and financial statements resulting in the receipt of almost $2 million in commissions with death benefits of $78 million. According to the probable cause affidavit, after receiving a tip from the insurance company, the Division opened an investigation, which confirmed that the agent submitted life insurance applications using false information regarding prospective insured's net worth. The agent pre-arranged for the life insurance policies to be sold on the secondary market in a manner to disguise the fact that they were intended to be Stranger Originated Life Insurance, commonly known as STOLI's.

The affidavit further alleges that the life insurance policy files contained life insurance applications for five seniors over the age of 65 as well as certifications by the insurance agent indicating the policies would not be sold or transferred for any type of pre-death financial settlement, such as viatical settlement, senior settlement, life settlement, or other secondary market.

All the elderly consumers reported that they applied for life insurance under the agent's direction with the intention of selling the policies at a later date; that the agent explained to them that there were no out of pocket premium expenses and he offered to pay them between 3 and 5% of the face value of the life insurance policies, after the two year contestable period when they were sold on the secondary market. Many of the insureds also stated that the agent made misrepresentations on applications that he prepared, and their income and net worth were grossly inflated on their financial statements.

Case #5

Insurance Claims Adjuster Uses His Position To Create Fictitious Claims

In September 2009, DIF detectives received an anonymous tip of possible fraudulent activity by a claims adjuster for creating multiple falsified and fabricated claims. The resulting investigation revealed that the adjuster and four other participants received payments from 26 different claims totaling over $240,000 between August 2004 and June 2009.

The investigation further revealed that the adjuster used his position as a claims adjuster to create fictitious claims for monetary gain for him and the four other participants. The adjuster identified the reasons for reimbursements was for injuries or vehicle damage received from automobile accidents. Each of the participants then paid a portion of the check to the adjuster.

The initial investigation led detectives to further review the adjuster's activities, confirming three or more checks were received and cashed by each of the participants with theft amounts ranging from $8,800 to $67,000.

NOTEWORTHY INSURANCE FRAUD CASES

Case #6
Ft. Myers Bail Bond Agency Owner Arrested for Hiring Convicted Felon

DIF detectives arrested the owner of a Ft. Myers based bail bond agency along with an employee after it was discovered that the employee had a previous felony conviction. The employee continued to work at the agency even after a felony plea in February, 2008, working in an administrative role, which did not require a license.

The owner of the agency was arrested for knowingly violating Florida law, which states that a convicted felon may not act in any capacity for a bail bond agency. She turned herself into the Lee County Jail on December 16, 2009, and if convicted, will be barred for life from holding a bail bond agent license or having any involvement in any bail bond agency in Florida.

The employee was arrested on December 21, 2009 on two charges of Unlawful Employment at a Bail Bond Agency and Providing False Information to insurance Fraud detectives when interviewed.

Case #7
Jacksonville Insurance Agent Creates Hundreds of Fraudulent Applications

A Jacksonville insurance agent was arrested on two counts of insurance fraud after allegedly submitting approximately 225 bogus insurance applications and pocketing almost $46,000 in advance commissions.

The agent worked until March, 2009, when she was terminated following an investigation by the insurance company's Special Investigative Unit, who then forwarded their investigative findings to the Division of Insurance Fraud for criminal investigation.

The Division's investigation revealed that the agent submitted hundreds of applications with fake names of employees for several different businesses that had group policies, and created a fake business using a list of non-existing employees. The agent was arrested in December, 2009, and charged with Insurance Fraud and Organized Scheme to Defraud. She was booked into the Duval County Jail on a $250,000 bond and faces a maximum sentence of up to 30 years in prison if convicted.

Case #8
Independent Adjuster Deposits Checks Into Her Account

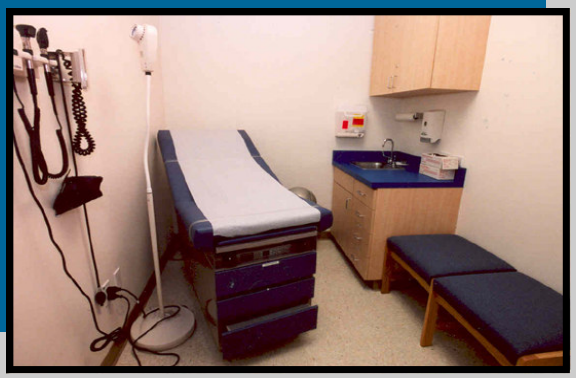
A licensed independent adjuster was arrested for the theft of more than $60,000 from her employer, with whom she was employed for nine years. A Personal Injury Protection (PIP) Team Supervisor, the adjuster issued checks to a second party, identified as a doctor, for treatment of the company's insureds. However, the individual was not a licensed doctor in Florida and there were no bills or treatment documentation in any of the claim files. And, further, the checks that were written were deposited into an account that the adjuster shared with the individual that was alleged to be the doctor.

In her capacity as a PIP claim supervisor, the adjuster identified claim files wherein the PIP benefits had not been exhausted and in which many of files were closed. She therefore accessed the files, issued checks payable to the "doctor" and then mailed the checks to her home address and deposited the money into an account that she controlled.

NOTEWORTHY INSURANCE FRAUD CASES

Case #9
Greedy Clinic Owners

In April, 2010, DIF detectives arrested six subjects in Tampa for insurance fraud involving personal injury protection fraud after a confidential informant reported being approached to participate in a staged automobile accident. Among those arrested were a clinic owner and two massage therapists. The informant was also offered additional money to recruit accident participants and was directed to a specific medical clinic where all participants were to be treated. With the information from the informant, the Tampa DIF Office arranged for an undercover detective to be introduced as a recruited participant by the informant. The undercover detective was also introduced to the clinic employees and associates and was then offered $2,000 to organize a staged automobile accident. Other participants were offered $1,000 to participate in the accident, and all the participants were instructed to treat at the specific designated medical clinic, as described by the informant.



At the conclusion of the investigation, four search warrants were executed and six subjects were arrested; an arrest warrant was issued for a seventh subject who fled to Cuba. As a result of the investigation, two Tampa clinics were closed and thousands of dollars in fraudulent insurance claims were denied.

Case #10
Unlicensed Insurance Agent Sells Bogus Insurance Policies

In February, 2010, detectives with the Division of Insurance Fraud arrested an unlicensed insurance agent for selling nearly $500,000 in bogus insurance policies to two Hillsborough County senior citizens. The unlicensed agent made the sale by falsely representing himself as a licensed insurance agent during a pitch to a local church. Detectives were able to arrest him in an undercover sting operation after the victims' stories were uncovered at a Safeguard Our Seniors workshop.

Between December 2007 and September 2009, the unlicensed agent received 15 premium payments totaling $489,426 from two senior citizens he met after making presentations at the church. The victims were told to make payments to two fraudulent corporations, both of which listed the unlicensed agent as the manager and president. The unlicensed agent led the victims to believe he had obtained life insurance policies through legitimate insurance companies in their names and that the policies would be sold to a third party for a profit – a scam known as a Stranger-Originated Life Insurance (STOLI) transaction; he did not forward the $489,000 premium payments to any legitimate insurance company and no policies were purchased on behalf of the senior citizens.

During the undercover sting, a Division detective posed as the couple's nephew and met with the unlicensed agent, who solicited money that he claimed would be used to purchase four insurance policies from two other people in a life settlement transaction.

The unlicensed agent was charged with Scheme to Defraud, a first-degree felony, and Unlicensed Selling of Insurance, a third-degree felony in connection with the sale of the bogus policies. If convicted, he faces up 35 years in prison.

To read more Noteworthy Insurance Fraud Cases, visit www.MyFloridaCFO.com

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 (5) among all states' fraud bureaus and divisions in every key measurement of success established by the Coalition Against Insurance Fraud. These measurements include:

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

Fiscal Year 2009/2010 Statistics

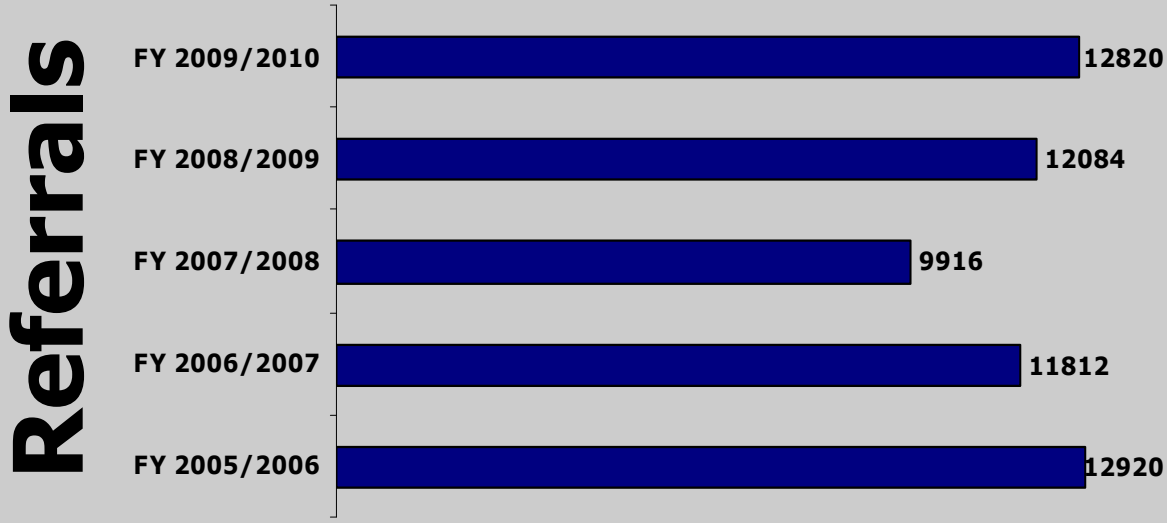
Referrals.....12,820

Arrests..... 1,042

Cases Presented for Prosecution..... 1,234

Convictions 706

Court Ordered Restitution..... $63,061,289.39



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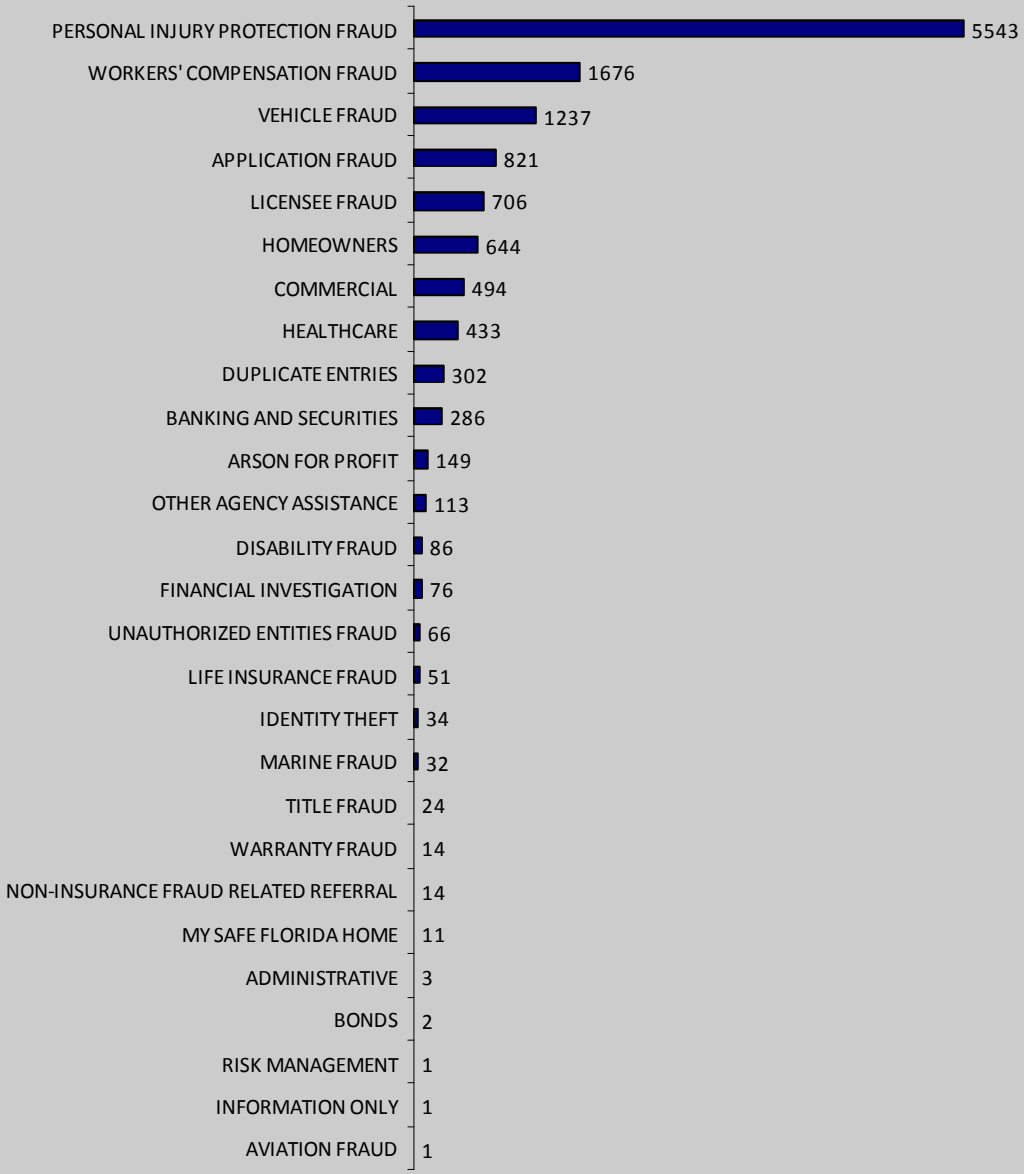
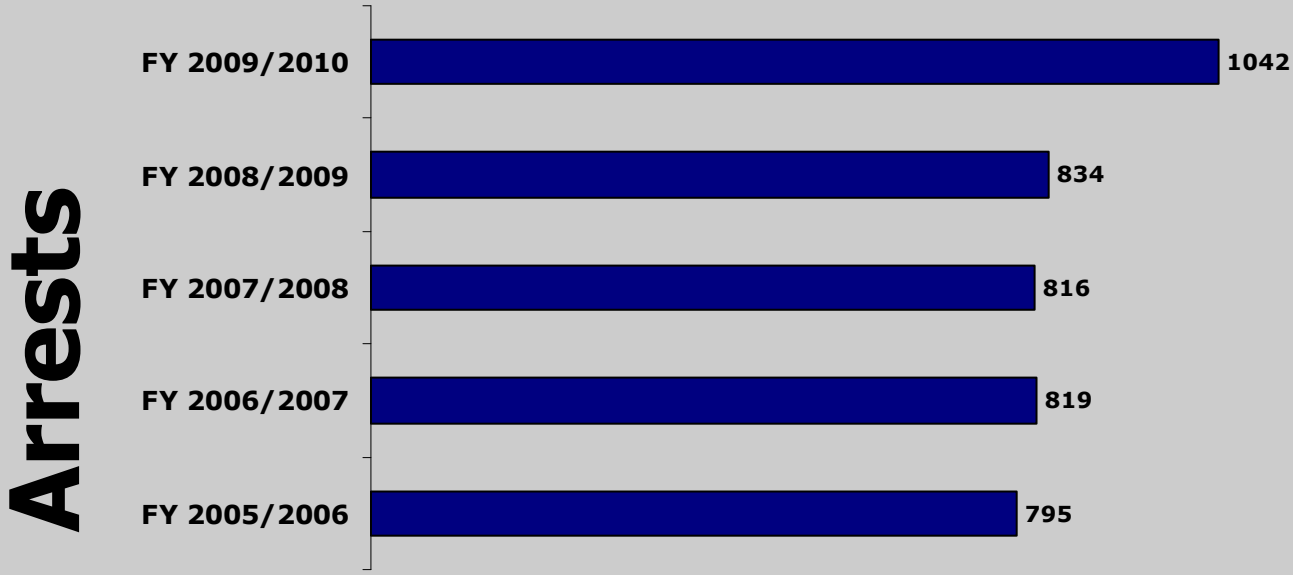
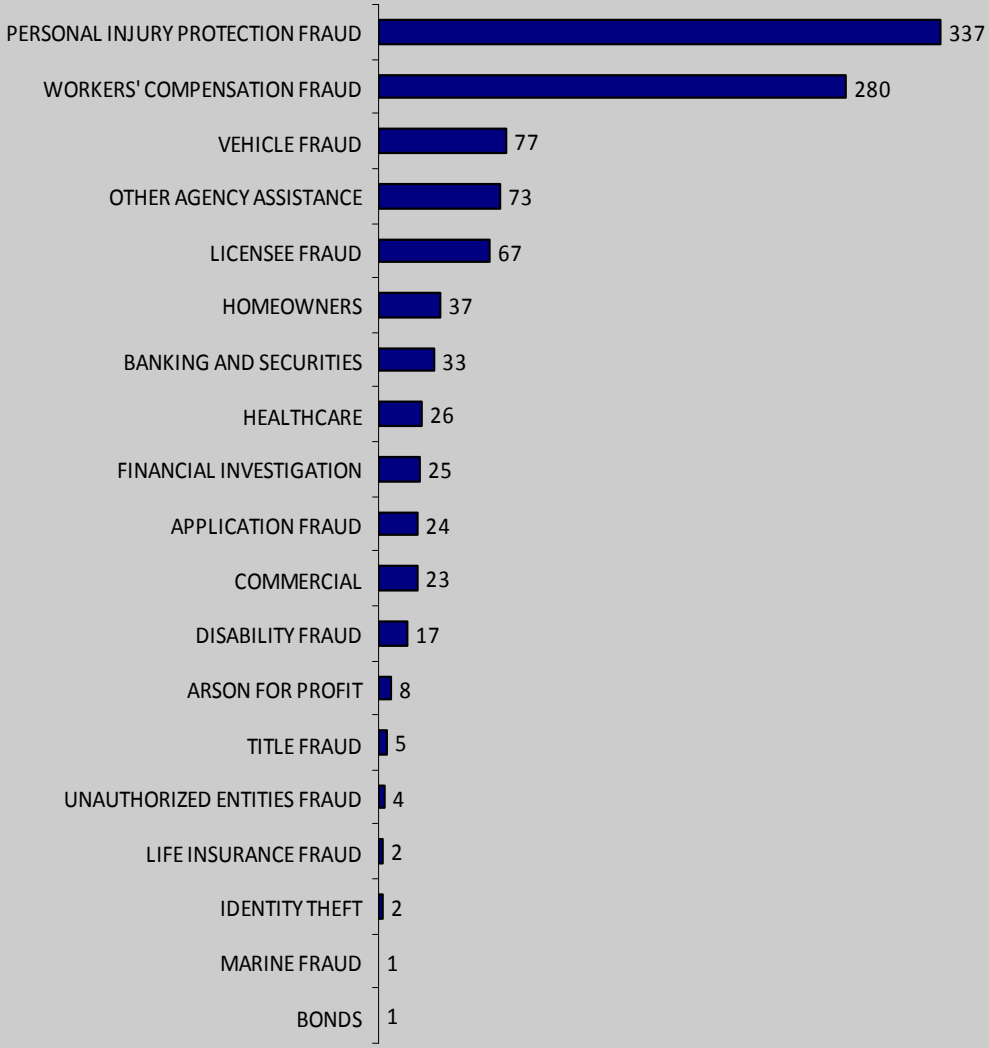
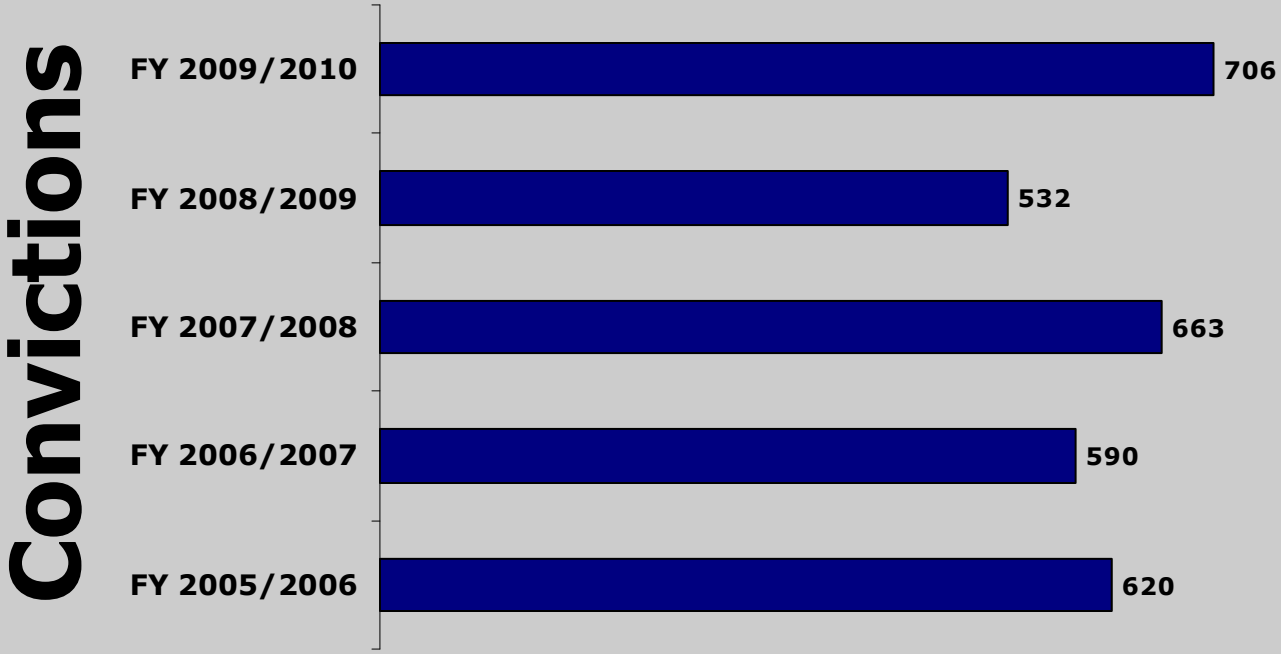


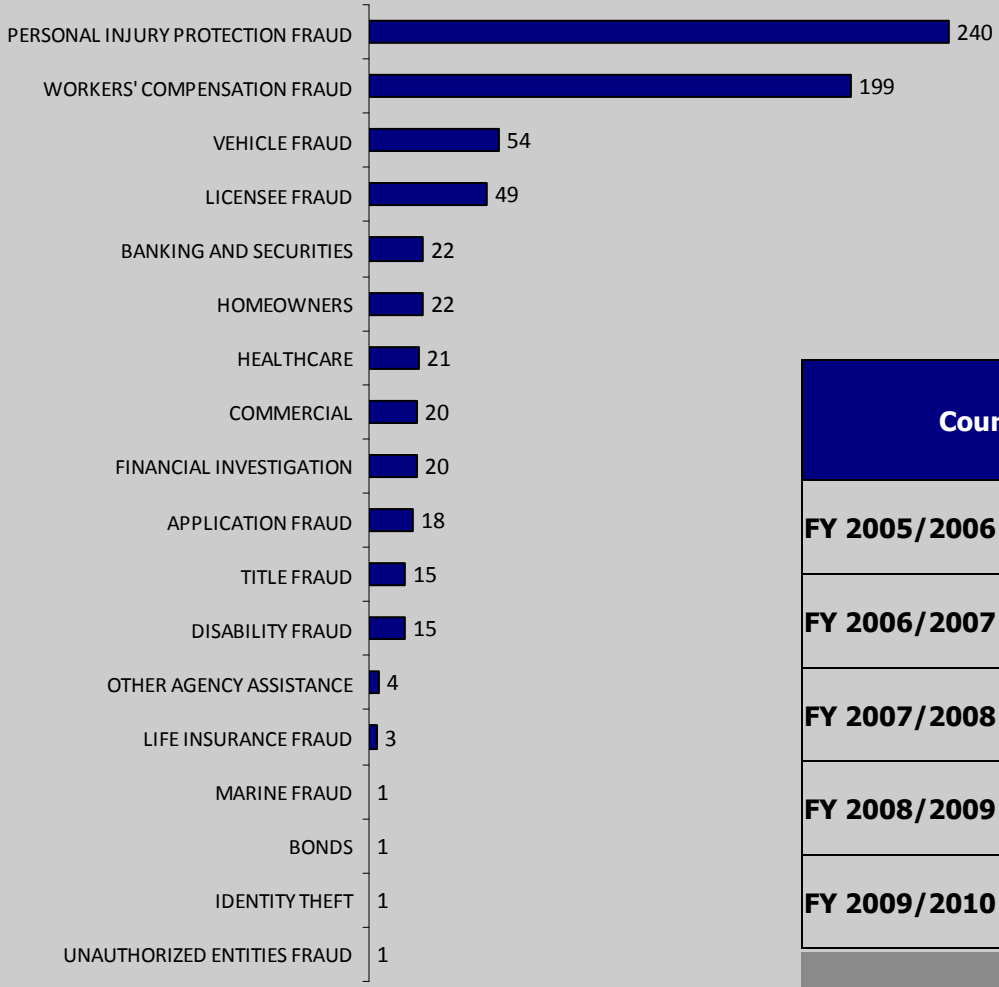


Type of Arrests:

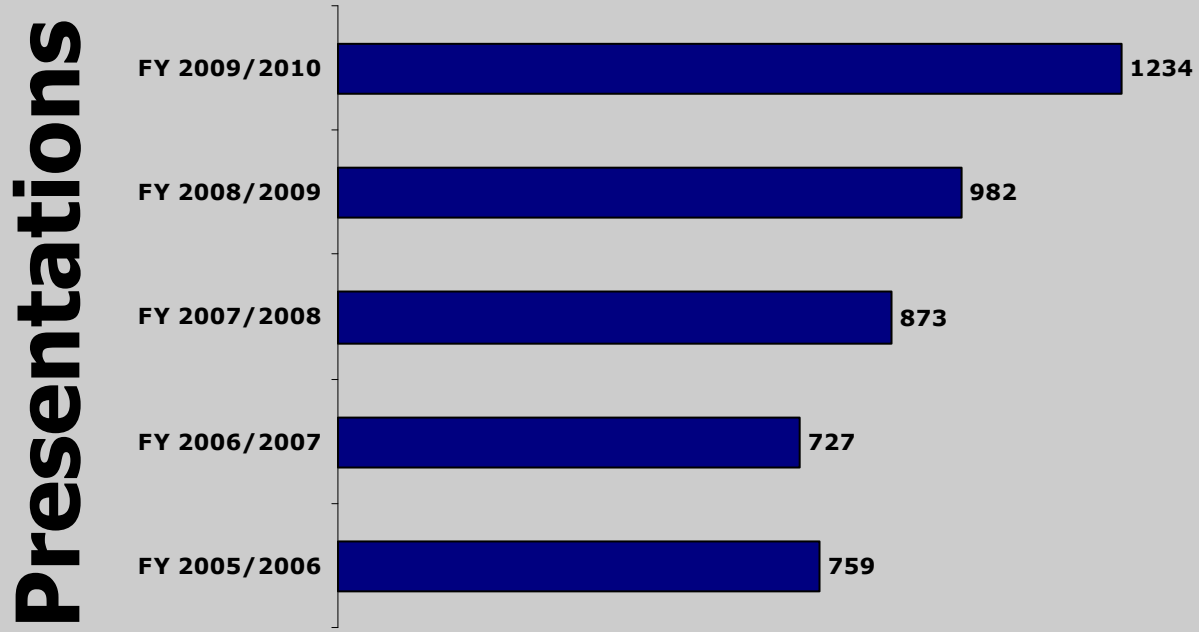




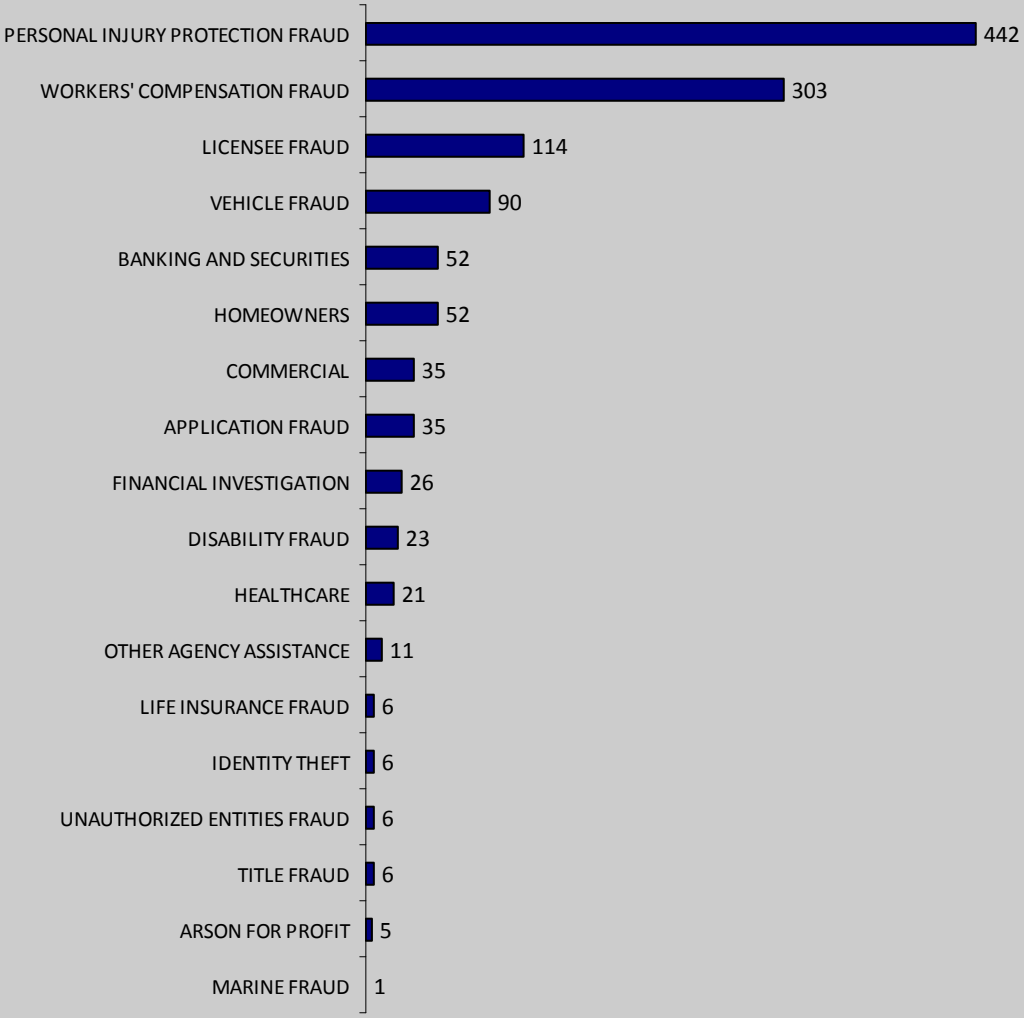
Type of Convictions:



Court Ordered Restitution	
FY 2005/2006	$ 115,633,666.59
FY 2006/2007	$ 847,467,524.52
FY 2007/2008	$ 94,159,111.16
FY 2008/2009	$ 34,613,327.32
FY 2009/2010	$ 63,061,289.39



Type of Presentations:



FLORIDA TRENDS

Where are we now?

As documented in the report, What is the Impact of the Economy on Insurance Fraud and Arson in Florida? published by the Bureau of Crime Intelligence and Analytical Support (BCIAS) there was a noticeable increase in schemes by individuals seeking alternative means of income or quick cash.

By all accounts (from insurance industry insiders and experts), these increases were a direct impact of the economy, and more specifically related to the increasing number of jobless citizens in Florida. The unemployment rate in Florida currently exceeds 12%; over the past year Florida experienced unprecedented unemployment rates, measured as high as 19% by some economists.

The resulting insurance fraud schemes committed as a "means to an end" for absent income included vehicle fraud, homeowner (claim) fraud, personal injury protection fraud, mortgage fraud, healthcare fraud, commercial slip and fall fraud, workers' compensation fraud, and arson for profit schemes. Personal injury protection fraud, while often debated whether or not it is the product of a weakened economy, continues to trigger ongoing economic recovery concerns, given the span of its impact.

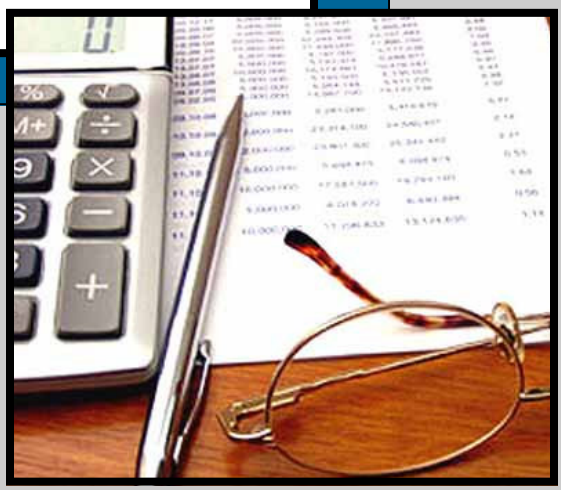
There have been significant *decreases* in areas previously considered vulnerable – such as vehicle fraud, mortgage and title fraud; all of which are indicators of changing and improving conditions in Florida; however, these conditions could change quickly, specifically with the recent oil-spill crisis and its massive impact under consideration as a measured risk to Florida's economy.

In addition to the continuance of some of the existing trends resulting from the economic slump, research and analysis by the Bureau of Crime Intelligence and Analytical Support (BCIAS) indicates there are new – and anticipated emerging – trends. While some have been anticipated, others were unexpected; but all share hallmark identifiers of impacts resulting from the sluggish economy.

To read more, visit www.MyFloridaCFO.com/Fraud

DIF Budget

Salaries.....	**$12,688,016**
OPS (Other Personnel Services funds)..	**$45,000**
Expenses	**$2,092,515**
OCO (Operating Capital Outlay funds)..	**$1,700**
Acquisition of Motor Vehicles	**$297,000**
Contracted Services	**$214,617**
Transfer to JAC	**$1,016,014**
Risk Management Services	**$357,848**
Salary Incentive Payments	**$232,256**
Human Resources	**$81,033**
Total	**$17, 030,028**



During Fiscal Year 2009/2010, the Division of Insurance Fraud employed 198 full-time members statewide:

151 Sworn Members (37 Supervisors; 114 Detectives)
47 Non-Sworn Members (6 Supervisors; 41 support staff)

Office of the Director
Director John Askins
Lt. Colonel Jack Kelley
Lt. Colonel Mark Schlein
Senior Attorney Charles Hughes
Senior Attorney Diane Moore

Operations and Investigations
Major Simon Blank

Statewide PIP Coordinator
Captain Steve Smith, South Region

General Fraud
Captain Buddy Hand, Panhandle Region
Captain Brian McCoy, North Region
Captain Michael Byrne, West Central Region
Captain Glenn Hughes, East Central Region

Bureau of Workers' Compensation Fraud
Bureau Chief Geoffrey Branch
Captain Vance Akins

Office of Professional Standards and Training
Major Donald Frost, Law Enforcement Program Administrator
Captain Ken Ellis
Captain Robert Brongel

Bureau of Crime Intelligence and Analytical Support
Bureau Chief Cherri Krall
Crime Intelligence Analyst Supervisor Lori Rodabaugh
Crime Intelligence Analyst Supervisor Kathy Morris
Crime Intelligence Analyst Supervisor Bonita Taitt
Crime Intelligence Analyst Supervisor Janice Caballero

Hotline Unit and Insurer Anti-fraud/Special Investigations Compliance Section
Senior Management Analyst Denise Prather