Insurance & Banking Subcommittee

Wednesday, October 20, 2021
9:00 AM - 10:30 AM
Morris Hall (17 HOB)

Meeting Packet

Chris Sprowls
Speaker

Nick DiCeglie
Chair

The Florida House of Representatives

Commerce Committee

Insurance & Banking Subcommittee

Chris Sprowls
Speaker

Nick DiCeglie
Chair

Meeting Agenda

Wednesday, October 20, 2021
9:00 AM – 10:30 AM
Morris Hall (17 HOB)

I. Call to Order

II. Roll Call

III. Welcome and Opening Remarks

IV. Department of Financial Services presentation on insurance fraud and fraud prevention

Insurance Consumer Advocate presentation on insurance fraud awareness and prevention initiatives, and consumer impacts

V. Closing Remarks

VI. Adjournment

303 House Office Building, 402 South Monroe Street, Tallahassee, FL 32399-1300
(850) 717-4870

Department of Financial Services

Florida Fighting Fraud

Division of Investigative & Forensic Services (DIFS)
Simon Blank, Director

House Insurance and Banking Subcommittee Meeting

October 20, 2021

Division of Investigative and Forensic Services

MISSION - To serve and safeguard the public and businesses operating in the State of Florida against acts of fraud, arson and the misuse of state funds.

Bureau of Forensic Fire and Explosive Analysis
Dedicated to forensic analysis of evidence from fires and explosives

Bureau of Fire and Arson & Explosives Investigations
Investigates all acts associated with arson or explosives crimes

Office of Fiscal Integrity
Investigates the misappropriation or misuse of state assets

Bureau of Worker's Compensation Fraud
Investigates suspected criminal violations of Florida's Workers' Compensation laws

Bureau of Insurance Fraud
Investigates all acts of insurance fraud not categorized under workers' compensation fraud

Office of Fiscal Integrity (OFI)

Staffing levels – 7 FTEs, 4 Sworn, 3 Non-Sworn – Designated LEO Investigators 3

OFI is an individually funded specialty unit reporting to the Bureau Chief of Insurance Fraud.

OFI investigates the misappropriation or misuse of state assets, to include;

- State contract and grant fraud
- Unclaimed Property fraud
- Theft of state property
- Electronic Fund Transfer (EFT) fraud
- State travel reimbursement, credit card and payroll fraud
- Fraud through counterfeit warrants and fraudulent debits to state treasury accounts

Bureau of Workers' Compensation Fraud

Staffing levels – 29 FTEs, 26 Sworn, 3 Non-Sworn – Designated LEO Investigators 20

The Bureau of Workers' Compensation Fraud investigates suspected criminal violations of Florida's Workers' Compensation laws.

- Operating Without Workers' Compensation Coverage
- WC Stop Work Order Violations
- WC Claims Fraud
- WC Premium Fraud
- Money Service Business Fraud Schemes

BWCF has four squads, each supervised by a lieutenant.

Bureau of Insurance Fraud

Staffing levels – 139 FTEs, 113 Sworn, 26 Non-Sworn – Designated LEO Investigators 84

BIF investigates all acts of insurance fraud not categorized under workers' compensation fraud, including:

- Personal Injury Protection Fraud
- Vehicle Fraud
- Homeowners' Fraud
- Commercial
- Healthcare Fraud
- Licensee Fraud
- Life Insurance Fraud
- Application Fraud

BIF has five regions, each commanded by a law enforcement captain; and 19 squads, each supervised by a lieutenant.

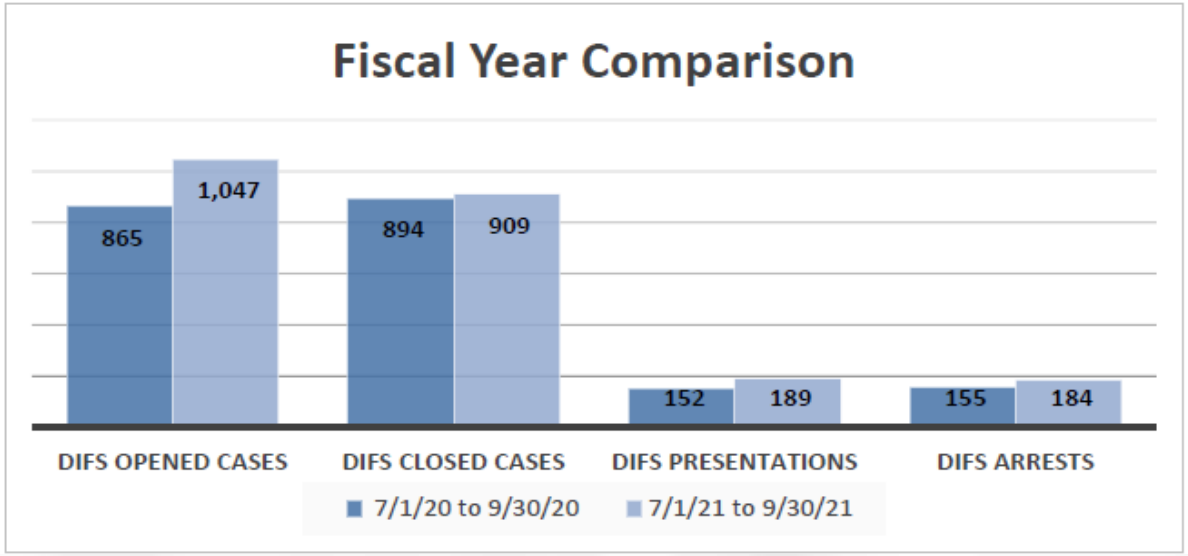
Top Fraud Reported Types FY 20/21

1. Vehicle – Fraud associated with the misrepresentation of facts involving a motor vehicle damage claims
2. Application – Fraud associated with the misrepresentation of facts on an application for the purpose of obtaining insurance
3. Personal Injury Protection (PIP) – Fraud associated with personal injury protection insurance benefits
4. Homeowners – Fraud associated with homeowners' insurance to include hurricane related claims
5. Workers' Compensation Fraud – Fraud associated to workers' compensation benefits and requirements

Statistical Review

DIFS STATS: ALL BUREAUS

Measurement	Fiscal Year 2019-2020	Fiscal Year 2020-2021	7/1/20 to 9/30/20	7/1/21 to 9/30/21
DIFS Opened Cases	4,747	3,819	**865**	**1,047**
DIFS Closed Cases	5,327	4,008	**894**	**909**
DIFS Presented for Prosecution	839	805	**152**	**189**
DIFS Arrests	788	802	**155**	**184**



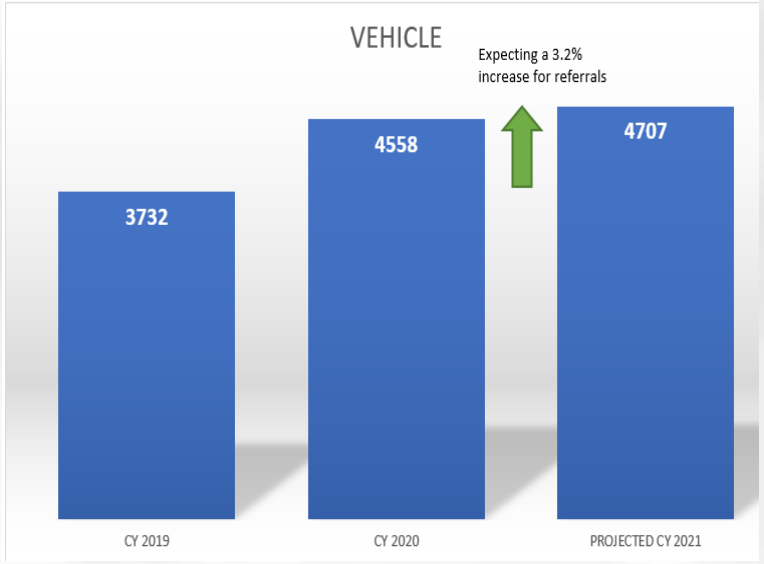
Other stats:

MEASURE	Fiscal Year 2019-2020	Fiscal Year 2020-2021	7/1/20 to 9/30/20	7/1/21 to 9/30/21
Arson Arrests	189	193	**44**	**41**
WC Arrests	242	203	**36**	**33**
PIP Arrests	95	88	**15**	**27**
General Fraud Arrests	166	212	**51**	**56**
OFI Arrests	2	3	**0**	**2**
Other BIF Agency Assist Arrests	6	32	**0**	**1**
EOD Responses	91	148	**32**	**42**
K9 Assists	628	815	**163**	**218**

Statistical Review

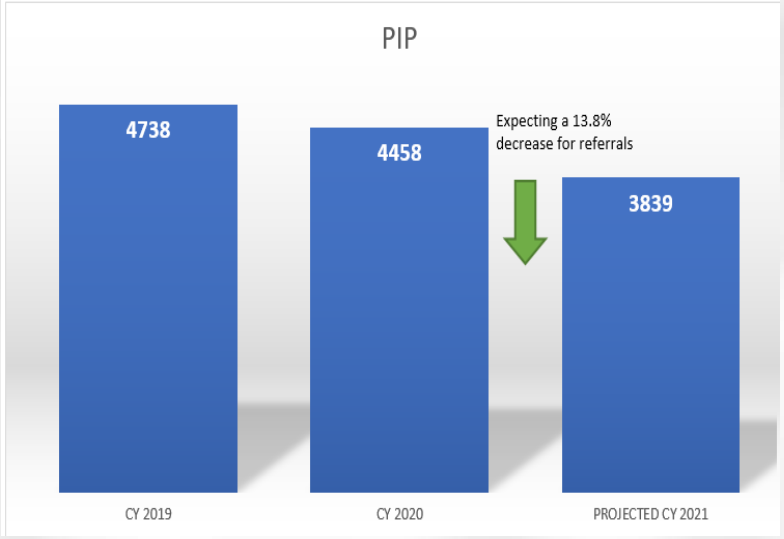
Vehicle Fraud

VEHICLE FRAUD	CY 2019	CY 2020	PROJECTED CY 2021
APPLICATION	1780	2191	2068
BODY SHOP	325	635	772
DAMAGE TO VEHICLE	1095	1082	979
DITCHING	345	395	353
INFLATED CLAIM			35
TOWING COMPANY	8	9	35
WINDSHIELD/GLASS	170	231	456
VEHICLE FRAUD Total	**3732**	**4558**	**4707**



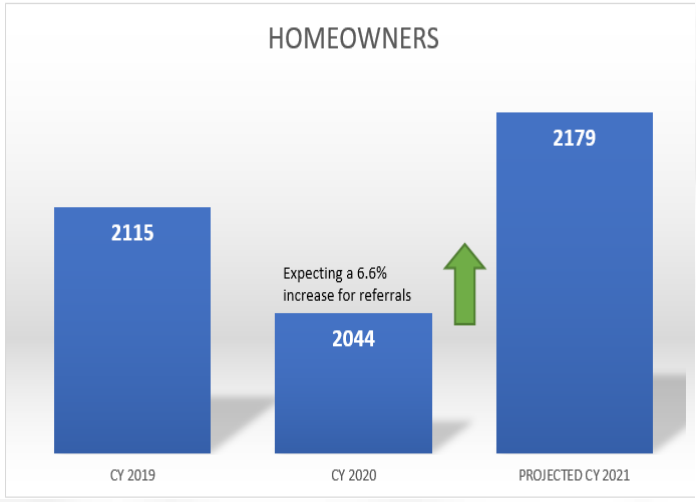
PIP Fraud

PERSONAL INJURY PROTECTION FRAUD	CY 2019	CY 2020	PROJECTED CY 2021
APPLICATION			29
BY ATTORNEY	29	30	24
BY CLAIMANT	1820	1532	1431
BY PROVIDER	1852	1945	1677
COMMERCIAL	47	333	105
FICTITIOUS INSURANCE CARD	62	36	51
JUMP IN	179	131	148
PAPER ACCIDENT	60	39	32
SOLICITATION	33	46	31
STAGED ACCIDENT	440	314	271
UNLICENSED ACTIVITY	204	49	32
PERSONAL INJURY PROTECTION FRAUD Total	**4738**	**4458**	**3839**



Homeowners' Fraud

HOMEOWNERS	CY 2019	CY 2020	PROJECTED CY 2021
APPLICATION	171	212	279
ASSIGNMENT OF BENEFITS	20	8	19
BY CONTRACTOR	141	258	161
FICTITIOUS CLAIM OR DAMAGE	601	534	485
FICTITIOUS LIABILITY CLAIM	19	23	11
FIRE	8	3	7
FORGERY BY HOMEOWNER	20	12	7
FORGERY BY OTHER	40	26	20
FORGERY BY PUBLIC ADJUSTER	53	10	8
INFLATED CLAIM	567	459	687
PLUMBING/TRENCHING	72	29	27
PUBLIC ADJUSTER	91	167	119
ROOFING	205	225	228
UNLICENSED ADJUSTER	24	21	20
WATER EXTRACTION	35	46	77
HOMEOWNERS Total	2115	2044	2179



Fraud Referral & Case Creation

Referrals are submitted from:

- National Insurance Crime Bureau
- Insurance Carriers
- Fraud Tip Hotline (1-800-378-0445)
- Citizen complaint
- Law enforcement partners
- Regulatory and civil partners

Case creation:

1. Referrals are analyzed and entered into the records management database
2. Referrals are assigned to appropriate location and squad
3. Referrals are triaged for solvability factors by DIFS supervisors and assigned or closed
4. Case is investigated and closed or presented for prosecution
5. Case disposition/outcome

Response to Fraud

- Implementation of two new Homeowners squads (per legislative appropriation 21-22)
  - Primary focus on property and casualty
  - Located in Central Florida (Orlando/Tampa field offices)
  - Law Enforcement and State Attorney Taskforce approach
- Disaster Fraud Action Strike Team (DFAST) – preventive and response
- Collaboration with industry partners
  - Sting operations
  - Monthly intelligence meetings
  - Quarterly Task Force Meetings
  - Specific training related to identifying and reporting alleged fraud

Fraud Free Florida Initiative

- In response to Florida's ongoing fraud epidemic, Florida Chief Financial Officer (CFO) Jimmy Patronis launched Fraud Free Florida, a new initiative aimed at better coordinating collective investigative efforts to protect Florida’s large population, especially seniors, from scam artists.

- **FraudFreeFlorida.com** serves as a one-stop-shop for reporting fraud and learning about ways to protect yourself from scams.



Challenges to Fraud Enforcement

- Evidence gathering
- Lack of cooperation / Incomplete submission
- Complexity of Cases
- Civil vs. Criminal process
- Public perception
- Staffing challenges

2022 Legislative Initiatives

- Fraud Reporting Requirements
- Mandatory Restitution for Insurers
- Verisk/Insurance Services
- Retention and Recruitment

Questions?

Contact Information:

Austin Stowers, Director of Legislative Affairs

DFS Legislative Affairs Office: (850) 413-2863

DEPARTMENT OF FINANCIAL SERVICES



CFO JIMMY PATRONIS

Insurance Consumer Advocate

FLORIDA'S INSURANCE CONSUMER

ADVOCATE

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Tasha Carter

INSURANCE FRAUD AWARENESS AND INITIATIVES: CONSUMER IMPACT

HOUSE INSURANCE AND BANKING SUBCOMMITTEE MEETING

OCTOBER 20, 2021

TASHA CARTER

Florida's Insurance Consumer Advocate

CFO JIMMY PATRONIS

INSURANCE FRAUD

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

- **INSURANCE FRAUD**
  - Insurance fraud [non-medical] costs more than $40 billion annually and costs the average U.S. family **$400 - $700 a year** in increased premiums.



Source: FBI

INSURANCE FRAUD

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

CONSUMER FRAUD

- Stolen property that was not taken
- Hurricane damage that was not caused by a storm
- Setting your home or property on fire
- Inflating the cost of a damaged item
- Allowing someone to use your insurance benefits for services
- Falsely claiming to be injured in a vehicle accident

INDUSTRY FRAUD

- A contractor files an insurance claim for damage that doesn't exist or for more damage than exists
- A vehicle repair company charges your insurance for new parts when used parts were installed
- An insurance agent provides false information on your insurance application to obtain a better rate
- A repair person replaces your windshield and charges your insurance company when there is little or no damage

CONSUMER STORIES

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

- **SENIOR FINANCIAL EXPLOITATION**
- **FRAUDULENT DOCUMENT**
- **CONTRACTOR SOLICITATION**

"The good news is we've got a great opportunity to get you a new one paid for by your insurance company for the price of your 2020 "other perils" deductible. First, we need to file a claim on the roof with the date of loss as 4/26/20. This date was a wind and hail storm that had winds as high as 86 mph over your home."

"Our attorneys will then take over your case free of charge, and fight to get your claim approved. 87% of the time in the state of Florida, insurance companies deny homeowners roof claims. With our attorneys involved, we have been extremely successful in flipping these would-be denials into full payout approvals (about an 85-90% success rate).

Keep in mind this is a completely behind the scenes process for you, the homeowner. You will be able to sleep easy at night knowing that you have people working everyday on delivering you and your family the settlement you deserve on the roof.

This is an awesome opportunity for you and your family to restore one of your greatest assets with a much-needed renovation for as cheap as it will ever be."

DEMOLISH CONTRACTOR FRAUD

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

DEMOLISH CONTRACTOR FRAUD: STEPS TO AVOID FALLING VICTIM

- Educate consumers on how insurance fraud and, specifically, contractor fraud works and how consumers can protect themselves against fraud



www.MyFloridaCFO.com/Division/ICA/Demolish

DEMOLISH CONTRACTOR FRAUD

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

AWARENESS IS ONE OF THE BEST METHODS TO COMBAT FRAUD

- Red Flags
- Consumer Tips
- Contractor Prohibitions
- Statistics
- Consumer Stories



www.MyFloridaCFO.com/Division/ICA/Demolish

CONSUMER IMPACT

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

UNDERWRITING RESTRICTIONS

- Age of roofs
- Coverage not offered in specific areas of the state: Central Florida

LACK OF AVAILABLE COVERAGE

- Availability and accessibility of adequate insurance coverage is decreasing significantly
- Citizens growing by average of 5,000 policies a week

POLICY CANCELLATION/NON-RENEWAL

- The 3 most recent cancellation or non-renewal actions impacted more than 53,000 policies.

CONSUMER IMPACT

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

LITIGATION

- DFS Civil Remedy Notices increased by 10%
- Since July 1st, more than 6,000 notices of intent to initiate litigation totaling an estimated disputed amount of $90 million have been filed with the DFS

INCREASED RATES

- Florida has the 3rd highest property insurance premiums in the US - average annual premium of more than $3,600
- As of September 30th:
  - 114 rate filings with the Office of Insurance Regulation
  - 51% of the rate filings requested average statewide double digit increases between 10% and 35.7%

LEGISLATION

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

2021 LEGISLATIVE SESSION

- Passed legislation to address:
  - Fraud
  - Solicitation
  - Litigation

2022 LEGISLATIVE SESSION

- Fraud prevention legislation

FLORIDA'S INSURANCE CONSUMER

ADVOCATE

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Tasha Carter

OFFICE OF THE INSURANCE CONSUMER ADVOCATE

www.MyFloridaCFO.com/Division/ICA

YourFLVoice@MyFloridaCFO.com

850.413.5923

TASHA CARTER

FLORIDA'S INSURANCE CONSUMER ADVOCATE

@YourFLVoice