

Addendum: SIU

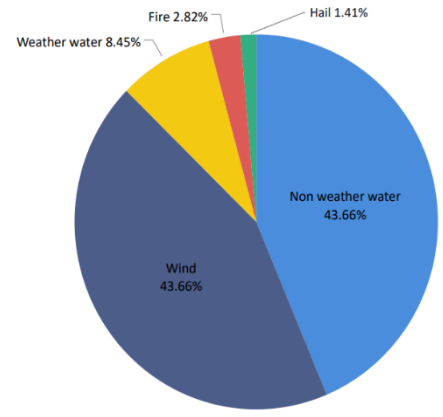
Claims Committee Meeting, August 31, 2023
Board of Governors Meeting, September 27, 2023

Special Investigations Unit (SIU)

Q2 2023 DIFS Referrals Vs. SIU Accepted & Completions
 ● SIU Accepted # ● SIU Completed ● DIFS Referrals



Q2 2023 DIFS Referrals by Loss Type



Q2 2023
 Investigations Accepted by SIU
 Investigations Completed by SIU
 SIU Investigations Resulting in DIFS Referral
 DIFS Referral Rate

	Investigations Accepted by SIU	Investigations Completed by SIU	SIU Investigations Resulting in DIFS Referral	DIFS Referral Rate
CAT	156	121	29	23.97%
Non-CAT	221	225	42	18.67%
Total	377	346	71	20.52%

Overview

During the second quarter of 2023, Citizens’ Special Investigations Unit (SIU) accepted 377 claims for investigation and submitted 71 referrals to the Florida Division of Investigative and Forensic Services (DIFS) in accordance with statutory requirements. Approximately 44% of claims investigated by the SIU involve non-weather water claims, many that are solicited directly by a third-party representative, including public adjusting firms and contractors.

Major Case Update

Miam-Dade - Organized Ring Activity: In August, it was announced that a Miami insured, along with her public adjuster and a water restoration provider were arrested for conspiring to defraud Citizens of more than \$136,000 by allegedly submitting fraudulent insurance claims related to the homeowners HVAC, Roof, and tarp installation. Citizens’ SIU found that the damage pre-dated the policy of insurance. The insured further indicated that her Public Adjuster was aware, at the time, that the roof and interior water damage predated the policy and that he contrived and fabricated a claim to obtain coverage. **Please refer to the press release issued by the Department of Financial Services (DFS) in collaboration with Citizens.**

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Cases of Interest

Seminole – Wind: Citizens' SIU submitted a complaint to the DIFS after an investigation determined that the insureds submitted a claim for \$16,500 in roof and interior water damage resulting from a tropical storm for existing damage that the insured filed with their prior carrier. As a result, both insureds were arrested and charged with insurance fraud and grand theft.

Orange – Wind: Within a month after obtaining an insurance policy with Citizens, the insured claimed wind and hail from a tropical storm resulting in \$30,000 damage to the roof. However, the SIU investigation revealed that the insured was aware, at the time of submitting the insurance application, that the damage existed. The claim was denied. After a DIF referral was submitted, the insured was arrested and charged with Filing a False & Fraudulent Insurance Claims, filing a False and Fraudulent Insurance Application and Scheme to Defraud.

Pinellas – Non-weather water: After the insured submitted a claim for water damage from a shower leak, which occurred a week after obtaining a policy of insurance, an SIU investigation revealed the claim was contrived and that the damage existed prior to the issuance of the policy. Moreover, less than a month before the issuance of this policy, the insured attempted to report the very same damage claim however there was no policy in force. The insured then resubmitted the claim under a new loss date after obtaining a policy with Citizens. The claim reserved at \$10,000 was denied based on the insured's material misrepresentations. A DIFS referral was submitted.

Volusia – Non-weather water: After the insured submitted two claims for water leaks that purportedly occurred within two days of obtaining a policy of insurance, an investigation found that the insured submitted a false application of insurance by failing to disclose existing water damage. The policy was rescinded, and no payments were issued. A DIFS referral was submitted.

Lee – Wind: After Citizens tendered a \$72,000 claim payment to the insured for wind damage from Hurricane Ian, a \$180,000 Appraisal demand was received from the insured's public adjuster. The Appraisal demand was rejected when evidence uncovered by SIU confirmed the torn and missing roof shingles were not hurricane related and the damage appeared well after the storm made landfall. A DIFS referral was submitted.

Osceola – Non-Weather Water: The insureds representative reported damage to the kitchen cabinets because of a plumbing leak under the sink. During the investigation, it was discovered the AOB vendor fabricated the loss and performed unnecessary demolition. The SIU investigation supported by an interview of the insured, determined the claim was contrived and the AOB vendor attempted to obtain insurance benefits for a leak that did not occur. The loss reserved at \$10,000 was denied based on no direct physical damage related to a sudden and accidental plumbing leak and the damage caused to the risk was intentional.

Osceola – Non-weather Water: Three years after Citizens denied the insured's claim for water damage and \$5,400 in water mitigation services due to lack of documentation in support of the loss, the insured's attorney provided a plumbing invoice which was later determined to be fictitious. After an Examination Under Oath (EUO) was conducted of the insured, the insured's attorney withdrew representation of the claim, and no payments were issued. A DIFS referral was submitted.

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Miami-Dade – Wind, Non-weather water: An SIU investigation into two claims involving the insured's roof and a separate non-weather water claim, occurring 22 days apart, revealed that the losses were contrived and there was no evidence to support the \$16,000 in water damage and mitigation repairs presented by the insured's attorney and loss consultant. The claims reserved for a combined \$20,000 were denied and DIFS referrals were submitted.

Miami-Dade – Non-weather water: An SIU investigation determined that the insured attempted to collect \$31,000 for new kitchen cabinets that had existing fire damage from a prior claim in which Citizens paid to replace the very same cabinets. The claim reserved at \$10,000 was withdrawn during an EUO in which they misrepresented the condition of the cabinets prior to the loss. A DIFS referral was submitted.

Hillsborough – Non-weather water: An SIU investigation determined that the insured attempted to collect for interior damage from a leaking HVAC that existing from prior losses. No payments were made on the claim reserved at \$10,000 after the insured withdrew her claim. A DIF referral was submitted.

Broward – Fire: An investigation determined that an insured submitted \$12,000 in false invoices in support of additional living expenses following the submitting of a fire claim. The claim reserved at \$125,000 was subsequently denied based on concealment and fraud. A DIFS referral was submitted.

Duval, Hillsborough, and Seminole Counties – Personal Lines (Policyholder): Proactive efforts revealed three separate policyholders intentionally submitted false PL insurance applications by failing to disclose they owned and operated Assisted Living Facilities at the risk locations. As a result, the policies were voided removing \$1,745,260 in exposure from Citizens. DIFS referrals were submitted.

Manatee – Personal Lines (Policyholder): An SIU investigation established that a policyholder made material misrepresentations on an insurance application for a personal lines policy by failing to disclose that he owned and operated an Adult Family Care Home at the risk location. As a result, the policy was voided, removing \$472,650 in exposure from Citizens. A DIF referral was submitted.

Manatee – Personal Lines (Policyholder): An investigation established that a policyholder materially misrepresented the occupancy of their property and induce Citizens to accept an ineligible risk by failing to disclose that it was used as a short-term rental on their application of insurance. As a result of the investigation, the policy was voided to inception, removing \$390,450 in exposure from Citizens. A DIFS referral was submitted.

Palm Beach – Personal Lines (Agency): The SIU investigation determined that the agent engaged in premium mishandling by failing to remit \$8,000 in title company and credit card payments to Citizens. The agent's appointment was terminated for cause and the findings have been provided to the Department of Financial Services Agent and Agency Services.

Press Release

Contact our Office of Communications

Communications@MyFloridaCFO.com | 850.413.2842

CFO Patronis Announces Arrest of Two Public Adjusters in \$136,000 Miami Insurance Fraud Scheme

8/7/2023

For Immediate Release: Monday, August 7, 2023

Contact: Office of Communications, Communications@MyFloridaCFO.com, 850.413.2842

CFO Patronis Announces Arrest of Two Public Adjusters in \$136,000 Miami Insurance Fraud Scheme

MIAMI, Fla. – Today, Chief Financial Officer (CFO) Jimmy Patronis announced the arrest of David Alexander Jr. Caballero, an All Lines Public Adjuster, Alexander Castellanos, a former All Lines Adjuster and owner of Prestige Restoration & Renovation Inc., and homeowner Jennifer Ann Perez for conspiring to defraud Citizens Property Insurance Corporation (Citizens) of more than \$136,000 by allegedly submitting fraudulent insurance claims related to the homeowner's air conditioner, water roof leak and tarp installation.

CFO Jimmy Patronis said, "One of my top priorities as your CFO is cracking down on fraud and scams that drive up insurance rates for every Florida policyholder. Insurance fraud is a costly crime and it's especially despicable when committed by a licensed insurance adjuster trying to game the system. My fraud teams have done outstanding work investigating insurance fraud statewide and prosecuting bad actors to the full extent of the law. Fraud causes insurance rates hikes and are a detriment to Floridians across the state with property insurance. Huge thanks to the team at Citizens, the Miami-Dade State Attorney's Office, and our fraud detectives for uncovering this scheme and bringing these fraudsters to face justice."

Citizens President/CEO and Executive Director Tim Cerio said, "I would like to thank CFO Patronis and his team for their tireless efforts to root out fraud in the property insurance market. These cooperative efforts are critical for bringing stability back to the Florida market, which benefits all Florida policyholders."

An investigation by the Florida Department of Financial Services' Division of Investigative and Forensic Services, Bureau of Insurance Fraud discovered that homeowner Jennifer Ann Perez and public adjuster David Alexander Jr. Caballero allegedly conspired to file a fraudulent homeowners insurance claim by using fraudulent supporting documents related to water damage and a roof leak. In 2021, Perez hired David Alexander Jr. Caballero to file a homeowners insurance claim with Citizens. During the claims process, Caballero would allegedly stage Perez's home to show sustained accidental water and roof damages. He would also coach her on exactly what to say to the insurance adjuster from Citizens ensuring that she would not say that her damages were preexisting. Then, Caballero hired Castellanos of Prestige Restoration & Renovation, Inc. to perform the property restoration knowing that there was no active roof leak. In addition, Castellanos forged the signature of Jennifer Perez on the Assignment of Benefits agreement to allow him to execute the work.

Further investigation determined that David Alexander Jr. Caballero attempted to defraud Citizens of approximately \$102,000 by submitting fraudulent homeowner water damage and roof claims. Alexander Castellanos submitted two fraudulent Assignment of Benefits contracts and an emergency tarp request in an attempt to defraud Citizens of more than \$34,000 to perform mold remediation. As a result of Jennifer Perez conspiring with David Alexander Jr. Caballero, to use her homeowner's policy as a means for this fraud and consequently having Alexander Castellanos perform alleged remediation for non-existing damages, Citizens would have been defrauded of more than \$136,000.

Jennifer Perez was arrested on May 25, 2023, David Alexander Jr. Caballero and Alexander Castellanos was arrested on August 3, 2023. They were all booked into Miami-Dade Jail and charged with multiple counts including Insurance Fraud, Grand Theft, Organized Fraud, and Uttering a Fraudulent Instrument. If convicted on all charges, they face between 5 and 10 years in prison respectively. This case is being prosecuted by the Miami Dade State Attorney's Office.

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About CFO Jimmy Patronis

Chief Financial Officer and State Fire Marshal Jimmy Patronis is a statewide elected official and a member of Florida's Cabinet who oversees the Department of Financial Services. CFO Patronis works each day to fight insurance fraud, support Florida's firefighters, and ensure the state's finances are stable to support economic growth in the state. Follow the activities of the Department on Facebook ([FLDFS](https://www.facebook.com/FLDFS)) and Twitter ([@FLDFS](https://twitter.com/FLDFS)).