

# Executive Summary

Claims Committee Meeting, September 19, 2018  
Board of Governors Meeting, September 26, 2018

## Special Investigations Unit Update

### Major Case Unit Overview

The Major Case Unit (MCU) handles complex investigations which often involve organized and ring activity and some or all aspects of insurance operations, including claims, underwriting, vendor relations, and agent services. Members of the MCU team, led by SIU Manager Norma Lezana, work remotely in key areas across South Florida and are supported by the Analytics and Research teams as well as Citizens' Legal team. Due to the nature of their investigations which may span several months or even years, these investigators work closely with representatives from the National Insurance Crime Bureau (NICB) and law enforcement in support of their pursuit of insurance fraud prosecution. The investigators within this unit are independent self-starters and are among the most experienced investigators within our SIU.

Claims fraud involving non-weather water claims, which account for 75% of our investigations, remain a major focus of our SIU. Our MCU is engaged in several large scale investigations which have exposed networks (including public adjusters, plumbers, and water mitigation providers) engaged in a collaborative effort to submit false non-weather water losses to Citizens. In many cases, these bad actors exploit the use of AOB in furtherance of submitting false insurance claims against Citizens.

The SIU investigations have resulted in actionable Department of Investigative and Forensic Services (DIFS) referrals. As a result, various individuals, including insureds, plumbers, and public adjusters have been arrested for in their role in submitting contrived non-weather water loss claims. The schemes range from the simple to complex. In some cases, subjects of the investigation have replaced an undamaged water supply line as evidence of a sudden water leak under the sink. In a more elaborate case, Citizens found a small section of PCV pipe buried in the slab in order to simulate the appearance of repairs.

### Major Case Unit Noteworthy Cases

During May 2018, Citizens was informed of a Miami public adjuster who had been sentenced to 20 years in prison for his role in an insurance fraud scheme. Jorge Espinosa Sr. and about 30 others were arrested in 2014 in operation "Flames and Flood" for involvement in a massive insurance fraud scheme in which Espinosa recruited homeowners to stage fire and water damage claims in residential homes to defraud insurers. Over a dozen insurers were impacted by the fraudulent scheme, which spanned 4 counties outside of Miami-Dade and involved dozens of claims with a combined exposure of \$6.7 million dollars. Citizens' SIU linked 16 claims to the scheme. In addition to prison time, Espinosa was ordered to surrender \$2 million in assets. Citizens received a payment of \$164,000 and stands to collect an additional \$844,000 in restitution. **The press release issued by State Attorney Katherine Fernandez Rundle's office on May 26, 2018 is attached.**

Citizens' SIU worked closely with the investigative task force, which included members of the Miami-Dade State Attorney's Office and the State Fire Marshall's Office. As the insurer with the largest exposure, SIU contributions included:

- Conducting text mining and complex analysis that provided valuable insight into the claim trends and patterns

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- Reviewing claims details, estimates and notes across dozens of suspect claims which led to linking the fraudsters directly to the scheme and each other
- Conducting interviews of insureds and witnesses on individual claim investigations
- Presenting analytical findings / case presentations to the investigative task force as well as the prosecutors responsible for bringing these criminals to justice.

Also in May 2018, State law enforcement officials announced the arrest of three individuals for their involvement in an arson for profit ring along with two others who were arrested in 2016. The investigation, called “Operation Rent to Burn” by state law enforcement stemmed from Citizens’ discovery of falsified receipts submitted with a fire loss claim. In this scheme, the investigation revealed that several individuals conspired to rent residential properties in Naples, Cape Coral and Miami, and then torch them after getting renters insurance for the properties. **The press release issued by Florida CFO Jimmy Patronis’ Office on May 18, 2018 is attached.**



**KATHERINE FERNANDEZ RUNDLE  
STATE ATTORNEY**

**ELEVENTH JUDICIAL CIRCUIT  
IN AND FOR MIAMI-DADE COUNTY**



**FOR IMMEDIATE RELEASE**

## **Criminal Sentence Leads to Restitution in Insurance Fraud Case**



Miami (May 29, 2018) - The recent conviction and sentencing of Insurance Fraud and Arson Scheme Ringleader Jorge Fausto Espinosa Sr. has led to a \$1.9 million restitution repayment to the victimized insurance companies. Espinosa recently admitted to intentionally setting a number of homes on fire as well as causing water damage to other homes with the sole purpose of filing false and fraudulent insurance claims. Espinosa was sentenced to 20 years in state prison in addition to paying the \$1.9 million restitution.

Representatives from the various defrauded insurance companies visited the State Attorney's Office to thank law enforcement and prosecutors for their exhaustive work that brought down Espinosa's fraudulent schemes.

FOR FURTHER  
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Norma Lezana and Joseph Theobald from Citizens, Brian Kelley from Tower Hill and United Property and Casualty were joined by State Attorney Katherine Fernandez Rundle and the prosecutors who worked on the case against Espinosa, Insurance Fraud Division Chief Laura Uriarte and Insurance Fraud Assistant State Attorney Dominique Atchison, Sgt. Robert Fortich from the Miami-Dade Police Department's Arson Squad, Lt. James Milton from the Division of Investigative and Forensic Services,

Bureau of Fire and Arson Investigations, and Det. Charles Toledo from the Division of Investigative and Forensic Services, Bureau of Fire and Arson Investigations for a ceremonial check presentation.

State Attorney Katherine Fernandez Rundle commented: "Insurance policy holders were Espinosa's real victims. Insurance fraud has never been a victimless crime since each policy holder pays the scammers via increased insurance premiums. Getting this restitution hits these criminals in a very sensitive spot, their wallet."

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**JIMMY PATRONIS**  
FLORIDA'S CHIEF FINANCIAL OFFICER

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# Press Release

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## Operation Rent-To-Burn: \$187,000 Arson-for-Profit Crime Ring Taken Down

5/18/2018



**Yamina Grafal**  
Arrested 05-18-2018: Racketeering/  
Rico, Racketeer/Conspire To, (2)  
Insurance Claims/False/Fraudulent



**Vicente Olana**  
Arrested 07-08-2016: Grand Theft  
1st Degree, (2) Insurance Claims/  
False, Arson 1st Degree, Grand Theft  
2nd Degree



**Walther Avila Lainez**  
Arrested 07-08-2016: Grand Theft  
1st Degree, (2) Insurance Claims/  
False, Arson 1st Degree, Grand Theft  
2nd Degree



**Kenia Martinez-Rosales**  
Arrested 12-15-2016: Insurance Claims/  
False/Fraudulent



**Gennie Avila Lainez**  
Arrested 05-17-2018: Racketeering/  
Rico, Racketeer/Conspire To, Insurance  
Claims/False, Arson 1st Degree



**Luis Rosales**  
Arrested 09-30-2015: Grand Theft

**For Immediate Release:** Friday, May 18, 2018

**Contact:** Jon Moore, 850.413.2842, [Jon.Moore1@MyFloridacfo.com](mailto:Jon.Moore1@MyFloridacfo.com)

### Operation Rent-To-Burn: \$187,000 Arson-for-Profit Crime Ring Taken Down

**TALLAHASSEE, Fla.** – Chief Financial Officer (CFO) and State Fire Marshal Jimmy Patronis today announced the recent arrest of Yamina Grafal, Walther Avila Lainez and Gennie Avila Lainez following a joint investigation conducted by the Miami-Dade Police Department's Economic Crimes Bureau Arson Squad and CFO Jimmy Patronis' Bureau of Fire and Arson Investigations. Members of the crime ring allegedly played various roles when conducting an arson-for-profit scheme, fraudulently collecting at least \$187,000 in insurance payouts by setting seven residential structures on fire between 2009-2016 in Miami-Dade, Lee and Collier County.

"Insurance fraud, especially arson-for-profit schemes, can drive up Floridians' insurance rates and pose a direct threat to the safety and well-being of our neighborhoods and communities," said **CFO and State Fire Marshal Jimmy Patronis**. "Protecting Floridians is our top priority and the collaborative efforts

exhibited during this investigation by state and local law enforcement is nothing short of remarkable.”

The investigation was initiated after authorities received information from Citizens Insurance regarding falsified receipts in support of an insurance claim for a fire loss. This investigation revealed that multiple individuals had conspired to rent residential properties, and after obtaining renter’s insurance, intentionally set the homes on fire for economic gain. The fires were set in such a manner that responding fire departments did not suspect criminal activity.

**The investigation revealed the following locations were intentionally set on fire:**

October 11, 2009 - Residential fire at 2161 41 Street SW, Naples, FL  
February 16, 2010 - Residential fire at 3116 NE 7th Place, Cape Coral, FL  
June 28, 2012 - Residential fire at 3415 SW 13th Terrace, Miami, FL  
October 31, 2014 - Residential fire at 901 NW 50th Street, Miami, FL  
December 28, 2014 - Residential fire at 674 Pine Cone Lane, Naples, FL  
April 4, 2015 - Residential fire at 5621 NW 10th Avenue, Miami, FL  
December 13, 2016 - Planned residential fire at 1850 NW 112th Terrace, Miami, FL

**The following individuals have been arrested:**

**Gennie Avila Lainez** – arrested 05-17-2018: Racketeering/Rico, Racketeer/Conspire To, Insurance Claims/False, Arson 1st Degree

**Walther Avila Lainez** – arrested 05-17-2018: Racketeering/Rico, Racketeer/Conspire To, (3) Insurance Claims/False, Arson 1st Degree, Grand Theft 1st Degree, Grand Theft 2nd Degree.

**Yamina Grafal** – arrested 05-18-2018: Racketeering/Rico, Racketeer/ Conspire To, (2) Insurance Claims/False/Fraudulent

**Vicente Olana** – arrested 07-08-2016: Grand Theft 1st Degree, (2) Insurance Claims/False, Arson 1st Degree, Grand Theft 2nd Degree

**Kenia Martinez-Rosales** – arrested 12-15-2016: Insurance Claims/False/Fraudulent

**Luis Rosales** – arrested 09-30-2015: Grand Theft

Walther Avila Lainez was taken into custody May 17, 2018 in Tennessee by ATF agents and the Hamilton County Tennessee Sheriff’s Office. He is in custody pending extradition to Florida.

The Bureau of Fire and Arson Investigations is a law enforcement branch of CFO and State Fire Marshal Jimmy Patronis’ Division of Investigative and Forensic Services that conducts statewide fire, arson and explosives investigations. The Bureau encourages Floridians who believe they may have information surrounding these fires to contact the Arson Tip Hotline by calling 1-877-662-7766. Callers can choose to remain anonymous and any information that leads to a prosecution may be eligible for a cash reward.

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**About CFO Jimmy Patronis**

Chief Financial Officer and State Fire Marshal Jimmy Patronis is a native Floridian 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](#)) and Twitter ([@FLDFS](#)).