

SIU Cases of Interest

Claims Committee Meeting, December 5, 2018
Board of Governors Meeting, December 12, 2018

Non-Weather Water Investigations

Miami-Dade: The insured claimed damage to walls and flooring throughout their residence as a result of a broken water supply line in a bedroom closet. The loss was reported to Citizens by the insured's public adjuster along with a separate claim for hurricane damage which was alleged to have occurred the same day. The investigation, which included interviews with the insured's plumber and handyman, revealed information that the insured misrepresented repairs made to the tile floor after the water leak was alleged to have been discovered. Moreover, an expert retained by Citizens advised that the damage was consistent with a long term leak that occurred prior to the insured owning the property and was not from a sudden pipe break as claimed by the insured. The claim reserved at \$7,500 was subsequently withdrawn by the insureds after they were requested to attend an Examination Under Oath (EUO). A Department of Investigative and Forensic Services (DIFS) referral was submitted.

Miami-Dade: It was alleged that the tenant of the insured's rental property reported a pipe burst resulting in damage to the kitchen cabinetry and two bathrooms, which was the basis of the claim submitted by the insured. The loss was reported by the insured's public adjuster 10 days after the loss and after \$6,035 in water mitigation expenses were incurred under an AOB. The investigation, which included interviews with the tenant and supported by inspection of the property, contradicted the insured's claim and no water loss factually occurred. The claim reserved at \$2,500 was subsequently denied after the insured was requested to appear at an EUO. A DIFS referral was submitted.

Hillsborough: The insured reported damage to the kitchen cabinetry and tile flooring due to a broken pipe under the slab. The SIU investigation, supported by interviews and expert analysis, determined that the insureds made contradictory statements regarding the timeline of events and misrepresented the status of repairs prior to the loss. No evidence of a reported plumbing failure could be identified. The claim reserved at \$20,000 was denied after the insured failed to appear for an EUO. A DIFS referral was submitted.

Miami-Dade: The insured alleged damage to flooring and walls in multiple rooms throughout the residence as a result of a sudden hot water supply line leak. The loss was reported to Citizens by the insured's public adjuster after water mitigation in the amount of \$7,149 was performed under an AOB. The SIU investigation and expert inspection established that the loss as reported by the insured did not occur and the damage as reported by the insured predated the date of loss. The claim reserved at \$20,000 was subsequently denied based on wear and tear. A DIFS referral was submitted.

Broward: The insured reported damage to bamboo flooring in the living room as a result of supply line rupture. The SIU investigation established that the loss as reported by the insured did not occur. Moreover, the insured presented false information to support the condition of the flooring and status of repairs and the damage predated the loss. The claim reserved at \$5,000 was not paid. Based on the SIU investigation, a DIFS referral was submitted.

Broward: The insured alleged damage to the wall and flooring as a result of a broken water pipe in the bathroom. The loss was reported to Citizens by the insured's attorney approximately 45 days after the loss and after \$3,217 in water mitigation expenses were performed under an AOB. The SIU investigation established that the loss as reported by the insured did not occur and that the damage resulted from three prior losses affecting the same area. The claim reserved at \$4,500 was subsequently denied as

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the damage not associated with a onetime sudden and accidental event and predated the policy. A DIFS referral was submitted.

Miami-Dade: After their 2013 plumbing backup was denied for no evidence of damage, the insureds filed suit against Citizens for breach of contract, alleging over \$80,000 in damage, including water mitigation costs. Citizens' SIU established that the claim was contrived and that the damage resulted from repetitive long term exposure that predated the loss as well as the issuance of the policy. No further payments were made and the insured was found guilty of fraud upon the court and ordered to repay Citizens \$10,225 plus interest. A DIFS referral was submitted.

Broward: The insureds and their representative reported damage to the master bath and bedroom due to a sewage backup in the bathroom. SIU investigation, supported by interviews and expert analysis, revealed the loss was contrived by the insured and that the damage predated the loss and the policy of insurance. The claim reserved at \$14,250, was denied for failure to cooperate after the insured failed to appear for an EUO. A DIFS referral was submitted.

Hillsborough: The insureds reported damage to their interior due to toilet overflow. The date of loss was five days after the policy inception date and after the insured initiated a complete demolition of the bathroom. The SIU investigation, supported by EUO testimony of the insured and experts findings, revealed the loss did not occur as reported by the insured and there was no evidence of blockage or defects in the cast iron sewer lines to justify the repairs. The claim reserved at \$15,000 was denied for there was no physical damage resulting from a loss. A DIFS referral was submitted.

Miami-Dade: The insured claimed a water leak caused damage to the kitchen cabinets and surrounding areas. The claim was reported by the insured's attorney 29 days after the loss and after unspecified water mitigation costs were alleged to have been incurred under an AOB. The SIU investigation established that the claim was contrived and that the damage predated the policy, and was likely unrepaired damage from a prior leak that had been the subject of a claim submitted to the insured's previous insurance carrier. Upon notice of SIU's request for an interview, the claim was withdrawn. No payments were issued on the claim, reserved at \$11,000. A DIFS referral was submitted.

Miami-Dade: The insured claimed that a water pipe under the slab ruptured resulting in water damage to the rooms in the house. The claim was reported by the insured's public adjuster six days after the loss and after \$6,035 in water mitigation was provided under an AOB. The SIU investigation, supported by the insured's recorded interview, found that the water mitigation company submitted an invoice which overstated the services performed. The claim reserved at \$27,500 was paid and no payment was issued on the water mitigation services. A DIFS referral was submitted on the basis that the water mitigation company submitted a false invoice.

Miami-Dade: The insured alleged water damage to the bathroom cabinets, vanity baseboard, and drywall due to a broken water line. The claim was reported seven days after the loss by the insured's public adjuster and after \$5,735 in water mitigation was provided under an AOB. The SIU investigation, supported by an expert inspection, revealed that the loss did not occur as reported by the insured and that the damage resulted from long term leakage and seepage, likely from an unrepaired water leak. The claim reserved at \$5,000 was denied for constant or repeated seepage, long-term damage. A DIFS referral was submitted.

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Hillsborough: The insured's attorney reported property damage due to a plumbing leak in the bathroom. The loss was reported to Citizens 16 days after the loss and after \$6,637 in water mitigation expenses were incurred under an AOB. The SIU investigation, supported by expert's findings, found no evidence of water damage associated with the described event and the only damage found was that created by the water mitigation company. A loss could not be confirmed due to the lack of evidence and the insured's attorney refused SIU's request to interview the insured or appear at three EUO's. After suit was filed by the insured for breach of contract, the plaintiff attorney suit was filed against Citizens, the plaintiff attorney filed a Notice of Voluntary Dismissal without prejudice. No payments were made on the claim reserved at \$15,000.

Hillsborough: The insureds alleged property damage due to a plumbing leak in the laundry room. The loss was reported to Citizens by the insured's attorney 19 days after the reported loss and after \$5,674 in water mitigation expenses were incurred under an AOB. The SIU investigation, along with the expert inspection, established evidence that the claim facts were contrived and that the damage resulted from long term leakage, likely from lack of maintenance. Further, the SIU investigation determined that the water mitigation company was called by the insured's attorney, who directed repairs. Following an EUO, the claim reserved at \$15,000 was denied due to constant and repeated seepage. A DIF referral was submitted.

Catastrophe Claim Investigations (Hurricane Irma)

Miami-Dade: The insured reported damage to the roof from Hurricane Irma which resulted in interior water damage. The SIU investigation proved that the insured materially misrepresented the condition of the house and submitted a false claim for damage that pre-dated the date of loss and the issuance of the policy. The SIU investigation established evidence that, contrary to their application of insurance, the insured previously reported three prior property claims to their prior insurance carrier just five months prior to reporting the new loss to Citizens. The claim which was reserved at over \$15,000 was denied due to lack of evidence of damage occurring prior to the policy inception. A DIFS referral was submitted and as the result of their investigation, the insured was arrested and charged with insurance fraud.

Miami-Dade: In support of his claim of \$29,000 in loss of rental income, the insured provided repair invoices for his HVAC system which he claimed was damaged as a result of Hurricane Irma. After Citizens tendered payment, the SIU investigation established evidence that the A/C repair invoice was not issued by the company and that the insured provided false information in support of the claim. Based on the SIU investigation a DIFS referral was made which resulted in the arrest of the insured who was charged with insurance fraud.

Miami-Dade: The insured alleged damage to the roof and interior of home as a result of Hurricane Irma. The loss was reported to Citizens by the insured's attorney 11 days after the loss. The SIU investigation, supported by interviews and expert's findings, established that the loss facts were contrived and that the damage was long term, likely due to a lack of maintenance and repair. The claim reserved at \$6,000 was subsequently denied for failure to appear for an Examination under Oath. A DIFS referral was submitted.

Miami-Dade: The insured alleged water damage to the kitchen cabinetry, ceiling and walls resulting from wind from Hurricane Irma. The loss was reported to Citizens by the insured's public adjuster over 3 months after the loss. The SIU investigation and expert inspection confirmed that there was no evidence

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of a storm created opening and water intrusion into the insured property. Furthermore, damage reported by the insured was long term, likely the result of a prior weather related event that was reported to the insured's prior carrier. The claim reserved at \$2,500 was not paid as the estimated amount of damages were under the deductible. A DIFS referral was submitted.

Miami-Dade: The insured's public adjuster reported that as a result of Hurricane Irma the insured property sustained wind damage to the roof resulting in ensuing interior water damage to the ceiling of several rooms. The claim was first reported more than nine months after the loss occurred. The SIU investigation, supported by expert findings, aerial photos, and EUO testimony, proved that the insured contrived the claim and attempted to obtain insurance benefits for damage that did not occur as a result of Hurricane Irma. The loss reserved at \$5,000 was denied based upon evidence that the loss did not occur as reported. A DIF referral was submitted.

St. Lucie: The insured reported that as the result of Hurricane Irma, his property sustained extensive wind damage to the shingle roof, solar panels, fencing and pool screened enclosure and ensuing water damage to the interior ceilings and walls. Claim was reported over five months after the reported date of loss by the insured's public adjuster. Citizens then received an invoice for \$34,000 in water mitigation and mold remediation which took place eight months after the alleged loss. The SIU investigation, supported by forensic examination, established evidence that the loss did not occur as reported and that intentional roof and water damage was staged after the initial inspection by Citizens' adjuster. The claim reserved at \$20,000 was denied due to concealment and fraud. A DIFS referral was submitted.

Broward: The insured reported damage to the tile roof with ensuing water damage due to Hurricane Irma which was reported ten months after the loss. An expert inspection noted there was no visible wind damage and damage pre-existed Irma. The SIU investigation, supported by inspections and interviews, established evidence that the insured contrived the loss and misrepresented the condition of the property that the reported damage was long term and pre-existed the issuance of the policy. The SIU investigation revealed the insured provided false and misleading information relevant to the application and claim. The claim reserved at \$10,000 was denied for material misrepresentation and pre-existing damages. A DIFS referral was submitted.

Miami-Dade: The insured claimed that as a result of Hurricane Irma the property sustained wind damage to the roof and ensuing water damage to the interior ceiling and walls. The claim was reported by the insured's public adjuster 18 days after the loss occurred. The SIU investigation, supported by an expert inspection, concluded most damage was old and from a prior claim for which the insured had received a claim payment. The claim reserved at \$46,000 was withdrawn. A DIFS referral was submitted.

Other Property-Related Investigations

Hillsborough: The insured initially claimed damage to their HVAC system due to an explosion, which reportedly occurred within 30 days of obtaining her policy of insurance. Inspection revealed no evidence of fire or explosion to the existing system, which the insured claimed was repaired after the loss. The SIU investigation revealed that the damage to the HVAC system occurred prior to the loss and issuance of the policy and that the insured presented Citizens with an altered repair invoice in support of her claim. The claim reserved at \$1,000 was denied for material misrepresentation and pre-existing damage prior to policy inception. A DIFS referral was submitted.

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Pasco: The insured reported fire damage to her home and contents which required her to move out due to the extent of the damage. A fire expert concluded that the fire was intentionally set. The SIU investigation identified witnesses who saw the insured causing damage to the exterior upon arrival of first responders. The file reserved at \$167,000 was denied for an intentional loss and concealment of material facts. DIFS referral was submitted.

Miami-Dade: After Citizens issued \$29,390 payment to the insured for fire and smoke damage resulting from an unattended cooking fire, a law firm requested to reopen the claim seeking additional payments on behalf of the insured. The SIU investigation revealed that the insured was solicited by individuals misrepresenting themselves to be working on behalf of Citizens' and she was unaware that a law firm had been retained on her behalf. The insured requested the claim be closed and advised the law firm to cease from representing her interests. A DIFS referral was submitted.

Agency & Underwriting-Related Investigations

Broward, and Pinellas – UW Personal Lines Account, Application Misrepresentation:

Through proactive investigative efforts, SIU identified four personal lines risks that were operating as Large Family Child Care Homes. The SIU investigations, which included inspections of the properties and interviews with the policyholders and witnesses, established that Large Family Child Care businesses were being operated at the policy address that are statutorily ineligible for Citizens' Personal Lines Policies. However, the investigations also confirmed that there were no apparent misrepresentations by the policyholders at the time of application. Consequently, the policies were non-renewed, removing approximately \$1,306,560 in exposure from Citizens.

Hillsborough, Pinellas and Miami-Dade – UW Personal Lines Account, Application Misrepresentation: Through proactive investigative efforts, SIU identified five personal lines risks that were operating as Assisted Living Facilities. The SIU investigations, which included inspections of the properties and interviews with policyholders and witnesses, established that the policyholders owned and operated Assisted Living Facilities at the risk locations. In two of the investigations, it was revealed that the policyholders had established their businesses after obtaining coverage with Citizens. In two other investigations, it was confirmed that there was no apparent wrongdoing by the policyholders and in one investigation it was established the policyholder had materially misrepresented the business use of the property, which resulted in a referral to DIFS. As a result of the investigations, two policies were set to non-renew and three others were cancelled, removing approximately \$1,353,270 in exposure from Citizens.

Palm Beach – UW Personal Lines Account, Application Misrepresentation: Through proactive investigative efforts, SIU identified a personal lines risk that was operating as a Sober Home treatment facility. The SIU investigation, which included inspection of the property and an interview with the insured, established that the treatment facility operated at the policy address became ineligible for a Citizens' Personal Lines Policy after the coverage was initially bound. As a result, the policy was non-renewed and removed \$181,530 in exposure from Citizens.

Broward – Agent Compliance, Misappropriation: After a policy was cancelled for nonpayment of premium, an SIU investigation established that the agent of record received full payment of premium and negligently failed to timely upload the payment. Based on the SIU findings, Agent Compliance issued a

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warning notice to the agency for mishandling of insurance funds and a referral was made to the Florida Department of Agent and Agency Services.

Broward – Agent Compliance, Abandonment: An SIU investigation into several insureds' complaints that they could not reach their agent revealed the agent of record abandoned the agency and book of business. Based on the SIU findings, Agent Compliance terminated the agent due to the abandonment of the book of business and a referral was made to the Florida Department of Agent and Agency Services.

Broward – Agent Compliance, Misappropriation: An SIU investigation revealed that previous agency employees had allegedly been depositing premium payments into fraudulent agency PayPal accounts and forging a policyholder's signature on insurance applications and premium finance agreements. These actions resulted in the policyholder's policy canceling four different times. The agency employee and former bookkeeper were terminated by the agency and there was no evidence of criminal involvement by the agent of record. The agency also made financial restitution to the policyholder and the policyholder remains active with Citizens. Based on the SIU findings, Agent Compliance issued a warning notice to the agency for failure to supervise and failure to collect premium payments.

Broward – Agent Compliance, Fraud/Misrepresentation: SIU's investigation into an agency matter established that the inspection company misrepresented the condition of the electrical, plumbing and roofing systems of the home on a 4-point inspection submitted in support of a personal lines policy. A referral was made to the Department of Financial Services and Agent Compliance determined a training call to the agency would be conducted with regard to the findings. Citizens' Underwriting cancelled the policy approximately a month after the inception date because of the conditions of the home.