

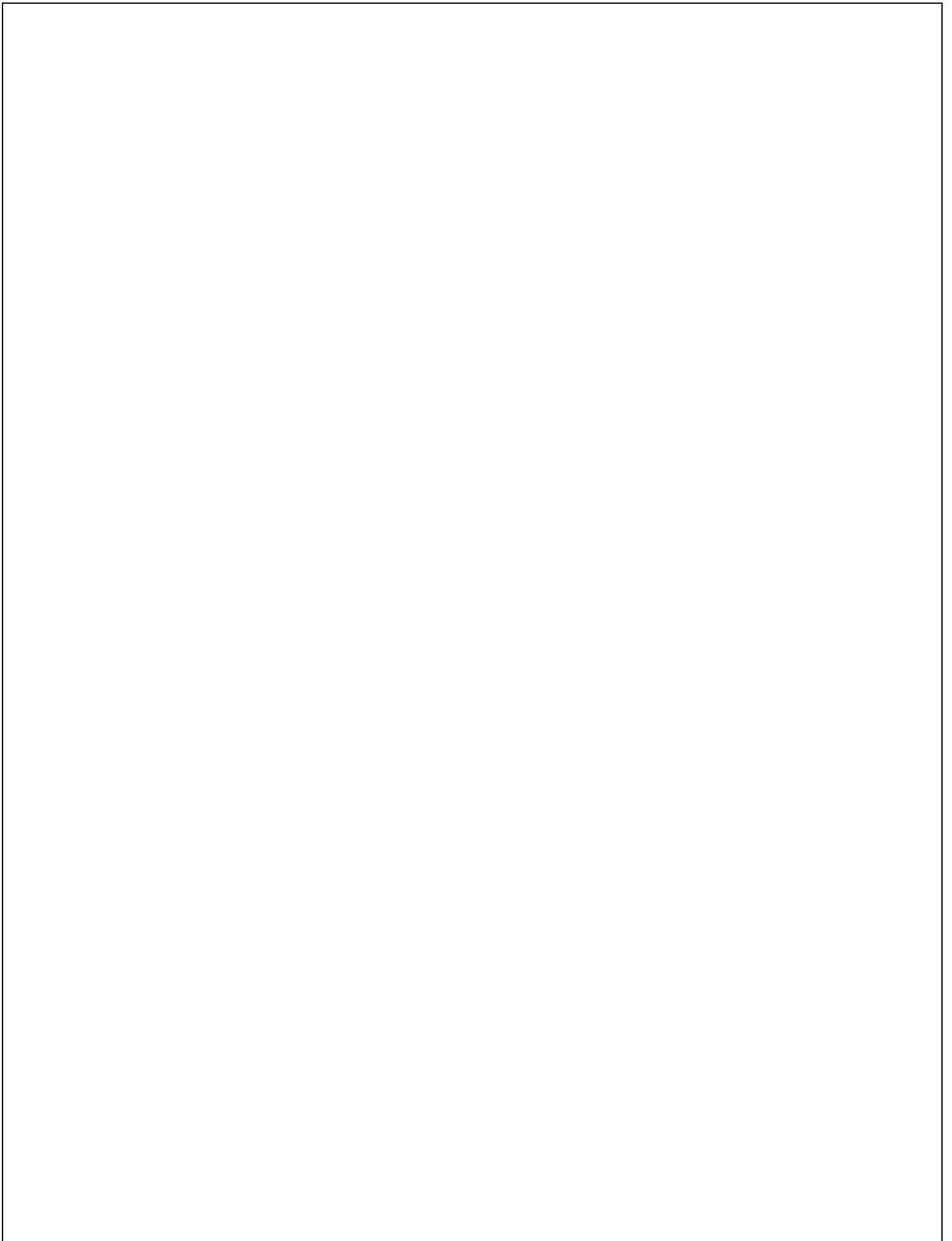


**Division of Insurance Fraud Prevention  
Minnesota Department of Commerce**

**ANNUAL REPORT  
2010**

*To detect, reduce and deter insurance fraud crimes by aggressive investigation, identification and prosecution of violators by working cooperatively with the insurance industry, law enforcement and the citizens of the State of Minnesota.*

--Mission Statement



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## *Director's Message*

To the Chairs of the House Commerce Committee and the Senate Commerce and Consumer Protection Committees.

**On behalf of the Division of Insurance Fraud Prevention (IFD) of the Minnesota Department of Commerce, I am pleased to present the annual report of the IFD for calendar year 2010, pursuant to Minnesota Statutes Section 45.0135, subdivision 5.**

The IFD is Minnesota's primary law enforcement agency responsible for conducting criminal investigations of insurance fraud. The IFD entered its fifth year in 2010 and continues to make significant progress combating and preventing insurance fraud throughout the state. Since its inception in 2005, the IFD has seen an annual increase in the number of referrals of suspected insurance fraud from private citizens, the insurance industry, law enforcement and government agencies. The vast majority of these referrals were simple, opportunistic fraud crimes and may be attributable to the economy's impact on the citizens of Minnesota. On the other hand, a number of referrals depict a very different picture, with organized groups of criminals employing intricate schemes to commit insurance frauds involving healthcare, arson, mortgage and automobile fraud.

Insurance fraud is a serious crime. According to the National Insurance Crime Bureau, it is the most costly white collar crime in the U.S., behind tax evasion. The IFD's aggressive anti-fraud efforts produced several noteworthy accomplishments in 2010. These high-profile cases raised the public's awareness of insurance fraud as well as recognition for the IFD and our dedicated staff of detectives and analysts. I am very proud of the hard work and accomplishments by our staff and extremely appreciative of the significant contributions of our many partners in law enforcement as we work together on this difficult crime problem.

In 2010, the IFD targeted multi-faceted, high-dollar insurance fraud schemes perpetrated by organized groups of criminals. These were time-consuming, resource-intensive investigations involving healthcare providers, mortgage lenders, public officials and others. Our efforts have already proven worthwhile as demonstrated by the number of criminal racketeering charges filed against defendants on insurance fraud cases last year.

In 2011, the IFD will maintain its focus on complex, high-dollar insurance fraud schemes and target the growing fraud problem in healthcare insurance. We will continue to pursue our goals to aggressively investigate insurance fraud, promote public awareness of insurance fraud, and provide assistance to local and county law enforcement.

George S. Kyrilis  
Chief Law Enforcement Officer  
Director, Special Investigations  
Division of Insurance Fraud Prevention,  
Minnesota Department of Commerce

## **I. INTRODUCTION**

In 2004 Minnesota became the 41st state to join the fight against insurance fraud through legislation creating the Division of Insurance Fraud Prevention at the Minnesota Department of Commerce. The legislation authorized the Commissioner to appoint peace officers and establish a law enforcement agency to conduct investigations and make arrests. The jurisdiction of the agency is limited to insurance fraud and offenses related to insurance fraud in the State of Minnesota.

The Division of Insurance Fraud Prevention, more commonly known as the IFD, is authorized to conduct criminal investigations of insurance fraud by Minnesota Statute 45.0135, which provided that the IFD shall:

- reviewing referrals of suspected fraudulent insurance fraud submitted by insurers,
- responding to notification or complaints of suspected insurance fraud generated by other law enforcement agencies and consumers,
- initiating inquiries and investigations when the division has reason to believe that insurance fraud has been or is being committed, and
- referring those instances of insurance fraud to the appropriate prosecutorial agency.

"  
The IFD has an excellent working relationship with the insurance industry, special investigation units and claims adjusters. It collaborates with many partners in local, state and federal law enforcement agencies as well as prosecutorial offices.

"  
"

## **II. STAFFING**

In order to accomplish its mission and responsibilities, the IFD employs a Director of Special Investigations/Chief Law Enforcement Officer, Investigations Supervisor, eight detectives, five analysts and a computer forensics specialist. The eight detectives are licensed peace officers and have extensive experience in law enforcement with local, county and state law enforcement agencies. In 2010, the IFD added a detective, analyst and computer forensics specialists to replace staff members who left the division.

## **III. FUNDING**

The IFD is funded by an assessment on each insurer authorized to sell insurance in the state of Minnesota. Specific assessment language can be found in Minnesota Statute 45.0135, subdivision 7.

To date, the assessment has collected just over \$11.3 million for fiscal years 2004 through 2011. Expenditures total approximately \$8.1 million for the same period. The assessment

for fiscal year 2011 was collected during May, 2010 because the statute requires such payment to be received on or before June 1, 2010.

During the past four years, legislation was enacted that transferred funds from the IFD to the General Fund. In fiscal year 2011, the IFD transferred \$48,000 to the General Fund. In prior years, the IFD transferred \$1.5 million for each fiscal year in 2008 and 2009, and \$64,000 in fiscal year 2010. The transfer of more than \$3,000,000 to the General Fund has had a significant negative impact on the IFD's operational budget and cash flow, and has already had a negative effect on the IFD's growth and progress in 2011.

On July 1, 2009, the IFD assumed administrative responsibility for the Auto Theft Prevention Program (ATPP). The ATPP is funded from a surcharge that is collected from automobile insurance carriers that provide comprehensive insurance coverage issued in Minnesota. The amount of the surcharge is \$.50 cents per vehicle for every six months of coverage.

As a result of legislation enacted in 2004, the ATPP transfers \$1.3 million to the General Fund each year, which have totaled \$9.1 million over seven years. An additional \$2,974,000 has been reallocated to the General Fund by law, including \$1,133,000 for fiscal year 2010 and \$1,111,000 for fiscal year 2011. These transfers and reallocations have dramatically reduced the effectiveness of the program to combat auto theft in Minnesota. The ATPP Advisory Board anticipates that approximately \$3,000,000 in grant awards will be issued to law enforcement agencies, prosecutorial offices and community organizations for the biennium of 2012 and 2013.

#### **IV. REFERRALS**

##### **A. Procedure**

The IFD is responsible for investigating violations of insurance fraud under Minnesota Statute 609.611, and the division received 924 referrals during the calendar year 2010. The referrals came from the general public, the insurance industry, law enforcement or other government agencies.

When a referral is received, an analyst conducts an initial review and screening to determine if sufficient information was reported for supervisory review. Referrals not warranting supervisory review are entered into the IFD's database for future reference. If the referral is deemed appropriate for criminal investigation, the director will open the case for assignment to a detective. If the referral is deemed to have insufficient facts, the director assigns the referral to an analyst for additional research, review and analysis. Thereafter, the referral is resubmitted to the director for assignment to a detective or closed.

Persons who want to make a referral concerning suspected insurance fraud are encouraged to call, write, or visit the Division of Insurance Fraud Prevention at 85 7th Place East, Suite 500, St. Paul, MN 55101, 1-888-FRAUDMN. Insurance companies licensed to do business in the State of Minnesota are required by Minnesota Statute 60A.952 to report suspicious or fraudulent activity to the Division of Insurance Fraud Prevention. Referral forms and the Minnesota Statutes and Federal Statutes that may be applicable to insurance fraud can be found at our website, [www.insurance.mn.gov](http://www.insurance.mn.gov), under the Fraud Statutes and Penalties hyperlink. All referrals and complaints are kept confidential until criminal charges are filed.

**B. Statistics**

Once referrals are reviewed and classified by an analyst, they are entered into the division's confidential case management system database. The IFD maintains the database for the purpose of file management and compiling statistics. The main statistics assembled from our database are related to the type and source of the fraud.

**1. Losses**

The amount of loss in each case referred for criminal prosecution is recorded to evaluate the financial cost of insurance fraud uncovered from our investigations. The IFD does not document the losses reported for each and every referral since some losses are unsubstantiated and are a derivative of abuse and error, rather than fraud. In 2010, the monetary losses on investigations referred for criminal prosecution were \$20,836,308. The losses in 2009 were \$45,319,729 and in 2008 were \$9,542,971.

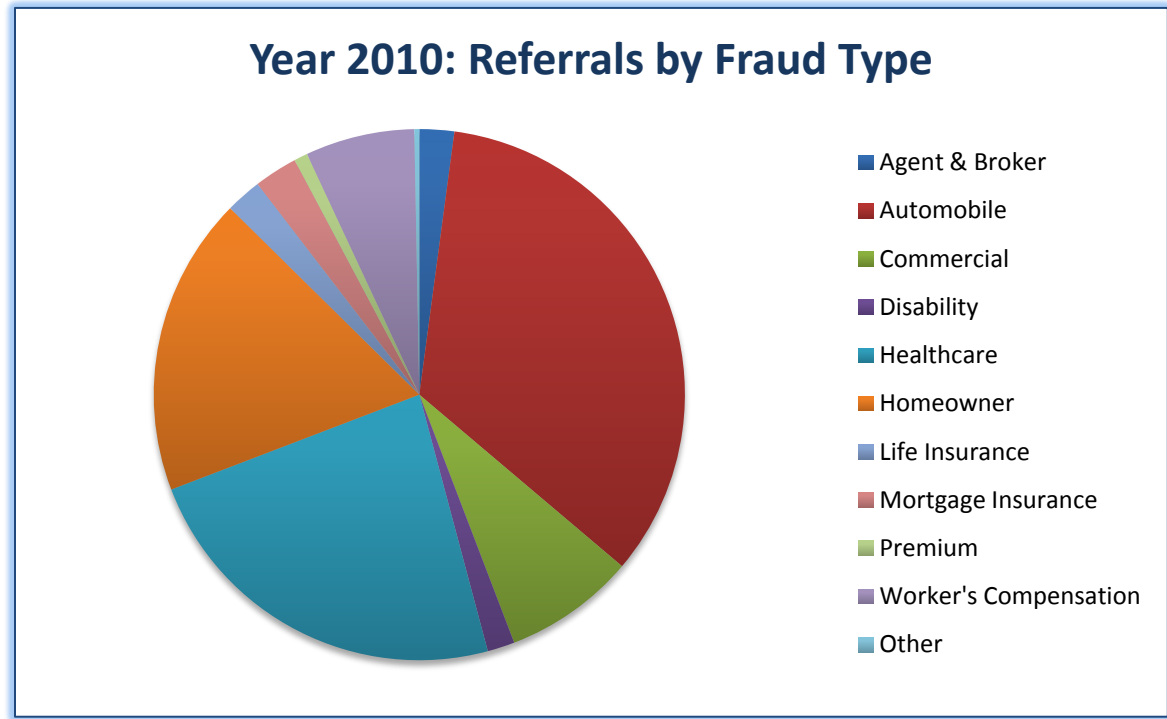
The division records the amount of restitution ordered in cases that have resulted in successful prosecution. In 2010, the courts ordered \$608,940 in restitution to victims in our investigations, compared to \$3,618,035 in 2009 and \$2,656,970 in 2008.

**2. Referrals by Type of Fraud**

The IFD assigns a case code to every case referred to it in order to classify the types of fraud referred. The classification system enables the division to determine the most prevalent type of insurance fraud in Minnesota. The categories for each type of fraud and the number of referrals in 2010 and 2009 are as follows:

<u>Case Code</u>	<u>2010</u>	<u>2009</u>
Agent and Broker	28	25
Automobile	451	407
Commercial	106	83
Disability	22	22
Healthcare	309	240
Homeowner	241	201
Life Insurance	29	30
Mortgage Insurance	35	16
Other	4	4
Premium	11	5
Workers' compensation	88	108

The number of referrals increased to 1324 in calendar year 2010 from 1150 in calendar year 2009. The higher numbers can be attributed to moderate increases in automobile and healthcare fraud matters referred to IFD, and more than double year-to-year in mortgage insurance and premium fraud.



### 3. *Referrals by Source*

The IFD receives case referrals from four main sources: the general public, insurance companies, law enforcement agencies and government agencies. The subject of the referrals varies from individuals to businesses suspected of committing insurance fraud. The majority of these referrals are received from the insurance companies through the National Association of Insurance Commissioners. The general public contact the IFD through our telephone hotline (1-888-FRAUDMN), the US mail and the department website, [www.insurance.mn.gov](http://www.insurance.mn.gov). The division has an inter-agency agreement with the Minnesota Department of Labor and Industry (DOLI) to conduct investigations on workers' compensation insurance fraud.

## V. PREVENTION

### A. Educational Presentations

One of the primary goals of the IFD is to educate the public, the insurance industry, law enforcement, government agencies and prosecutors that insurance fraud is a crime and that it has a negative impact on insurance rates in Minnesota. The National Insurance Crime Bureau (NICB) estimated that fraud accounts for between 10% and 30% of all



property and casualty insurance claims. The Coalition Against Insurance Fraud estimated that insurance fraud costs consumers \$80 billion a year in damages, leaving the average American family paying a minimum of \$950 a year in higher insurance premiums and increased costs of goods and medical services.

In 2010, the IFD made several presentations to the general public, the insurance industry, law enforcement and government agencies. Our audience members included the Minnesota Professional Insurance Agents, Minnesota Management Risk Employees, Minnesota Chapter of the International Association of Special Insurance Units and the Reinsurance Association of Minnesota Mutual Insurance Companies. A common goal of our presentations was to provide a brief background on the IFD and its role and responsibilities with specialized areas of interest, such as workers' compensation fraud and staged automobile accidents. Additionally, the division offered POST (Peace Officers and Standards Training) sponsored training for law enforcement on insurance fraud.

In 2010 the division leased exhibit booths at the annual conferences for the Minnesota Chiefs of Police Association, the Minnesota Crime Victims Association, the Minnesota Crime Prevention Association and the Minnesota State Fair to provide awareness about insurance fraud and reporting of insurance fraud.

The second Minnesota Insurance Fraud Awareness Week was announced on February 8, 2010. The program was a coordinated effort by the Insurance Fraud Awareness Steering Committee, which included representatives from the Insurance Federation of Minnesota (IFM), NICB, the Minnesota Chapter of the International Association of Special Investigation Units (MNIASIU) and the IFD.

#### **B. Educational Materials**

As part of its public awareness program, the IFD developed an informational pamphlet on insurance fraud to distribute to the general public and businesses. The pamphlet provides information about why people commit insurance fraud, the types of insurance fraud, the elements of an insurance fraud and how to contact the IFD. The division also distributes pamphlets designed by the Coalition against Insurance Fraud, "Insurance Fraud, the Crime You Pay For," which has information on the types of fraud, the costs of fraud and how to prevent becoming a victim of insurance fraud.

#### **C. Other Activities**

As part of our mission to reduce and deter insurance fraud, the IFD works cooperatively with the general public, the insurance industry and law enforcement. The division staff has joined, or is associated with various professional groups, both from the insurance industry and the law enforcement community. These groups include but are not limited to the IFM, NICB, National Association of Insurance Commissioners, Coalition Against Insurance Fraud, Mid-States Organized Crime Information Center, FBI Mortgage Fraud Task Force, Minnesota Health Care Fraud Task Force, National Health Care Anti-Fraud Association, Twin Cities Securities Partnership, Association of Certified Fraud

Examiners, Minnesota Chiefs of Police Association, High Technology Crime Investigation Association and the Minnesota Cyber Crimes Task Force. Our association and participation with these groups provide valuable assistance, resources and information to us in our efforts to combat insurance fraud in Minnesota.

## **VI. INVESTIGATIONS**

### **A. Overview**

The IFD conducts criminal investigations on insurance fraud and offenses related to insurance fraud, including healthcare fraud, mortgage fraud, securities fraud, arson-related insurance fraud and other state and federal criminal violations. The investigation process includes activities such as interviewing witnesses, conducting background checks on suspects, interviewing victims, witnesses and suspects, executing search warrants, serving subpoenas, conducting surveillances, reviewing/analyzing documents and evidence, and conducting computer forensics. See the Appendix for a narrative of several sample cases.

### **B. Statistics**

The IFD reviewed 1324 referrals in 2010. Of those, 240 referrals were opened for criminal investigation and 266 were opened for analytical review. The division closed 1016 referrals and cases for the following reasons: insufficient facts, unfounded, completed investigations with no prosecutable action, and completed investigations adjudicated in criminal court.

### **C. Intelligence and Other Activities**

Information is a key element in solving crimes. Insurance fraud is a white collar crime, which crosses jurisdictional boundaries of city, county and state lines. The IFD shares information and intelligence with other law enforcement agencies and government agencies throughout the state to accomplish its mission. Many of the division's investigations developed into coordinated efforts by multiple law enforcement agencies to bring forth successful prosecutions.

Some of the agencies that the division's detectives have either provided assistance to or worked with on joint investigations include Minnesota Sheriffs' Offices, Minnesota Police Departments, Minnesota County Attorneys, Federal Bureau of Investigation, Internal Revenue Service, Bureau of Alcohol, Tobacco and Firearms, U.S. Postal Inspection Service, U.S. Department of Health and Human Services, Social Security Administration, U.S. Attorney's Office, Minnesota Department of Labor and Industry, Minnesota Department of Employment and Economic Development, Minnesota Department of Human Services, and the Insurance Market Conduct and Real Estate/Securities Divisions in our department, the Minnesota Department of Commerce. This cooperation has helped solve many criminal cases, establish and build valuable relationships, and consolidate resources in the fight against insurance fraud.

## **VII. PROSECUTION**

### **A. Overview**

The IFD is authorized to refer investigations on insurance fraud and offenses related to insurance fraud for criminal prosecution. The investigations are either referred to the Minnesota County Attorneys or the U.S. Attorney's Office, depending on the jurisdiction and criminal violations applicable to the investigation. Under state law, the division enforces violations of Minnesota statutes 609.611 (Insurance Fraud), 609.612 (Employment of Runners), 609.45 (Perjury), 609.52 (Theft), 609.63 (Forgery) and 609.903 (Racketeering). Under federal law, the division enforces violations of US Code, Title 18 for Section 1341 (Mail Fraud), Section 1343 (Fraud by Wire), Section 1347 (Health Care Fraud) and Section 1956 and 1957 (Money Laundering). In all prosecutions, the division seeks the forfeiture of assets from defendants and restitution for the victims.

### **B. Statistics**

The Division of Insurance Fraud Prevention referred 102 cases to state and/or federal prosecuting agencies for criminal charges in 2010. These investigations involved 70 defendants. Those cases had at least 294 victims with financial losses of approximately \$20,836,308. Some of these investigations are still pending at several prosecuting agencies and are at various stages of the court and legal process. Of the investigations that were completed, legal action resulted in criminal charges against 34 defendants, eight criminal convictions, and court-ordered restitution of \$608,940.

## **VIII. ADMINISTRATIVE ACTIVITIES**

In 2010, the IFD hired a detective to replace a retiring law enforcement officer with more than 30 years of service to Scott County and the State of Minnesota, who had extensive experience investigating financial crimes. The new detective has 12 years of experience with the Minnesota State Patrol and investigated a major white collar crime case that was successfully prosecuted by the U. S. Attorney's Office. In addition, the IFD hired a computer forensics specialist to operate the division's computer forensics lab; provide IT (informational technology) assistance and training; and augment the five staff members providing analytical support to detectives on their investigations.

The IFD instituted a new case management system obtained from the Law Enforcement Technology Group (LETG) in June, 2009. The innovative browser based records management system will provide greater efficiency and effectiveness for the division to accomplish its mission. Our computer forensics specialist will work with LETG to maintain, enhance and update the system to meet our needs.

## **IX. CONCLUSION**

The IFD has worked with the general public and our partners in law enforcement, the insurance industry and government agencies during 2010 in our efforts to combat insurance fraud. We will continue to aggressively investigate and seek prosecution of fraudulent insurance fraud acts and increase public awareness of insurance fraud across the State of Minnesota. We proudly serve and protect the citizens of Minnesota in our pursuit of justice against those who commit insurance fraud.

Division of Insurance Fraud Prevention  
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## APPENDIX

***Insurance Fraud:  
When someone intentionally deceives another  
about an insurance matter to receive money  
or other benefits not rightfully theirs.***

The following cases are a sampling of the investigations the IFD had some involvement with in last year, either as the lead or assisting law enforcement agency.

### ***Agent/Broker Insurance Fraud***

*A former county commissioner* and owner of an abstract company in Albert Lea diverted almost \$1 million from her company to support her addiction to gambling. While the 60-year-old woman was president of the company, she transferred funds from escrow accounts into bank accounts under her control, and then wrote numerous checks to cash or herself from those accounts. In order to cover the funds she had withdrawn, she allegedly sent checks from one bank to another in an effort to produce artificial balances that would cover the checks. She purportedly operated this scam from January through June of 2010 and stole approximately \$1 million. The case was investigated with the Albert Lea Police Department. In July 2010, she was charged by the Steele County Attorney's Office with 13 criminal charges in Freeborn County, including Racketeering and Theft by Swindle.

*In 2008 and 2009 the IFD's insurance fraud cases with the largest losses and number of victims involved insurance agents.*

*A 57-year-old man* who was an insurance agent in Albert Lea, stole insurance premiums that were intended for a contractor's liability policy of a construction company. The agent diverted the premiums for personal interest and issued the construction company fake insurance certificates. The scheme was uncovered after the construction filed a claim and the insurance company disclosed that there never was a policy. On an unrelated case, the agent was already facing charges for stealing \$31,857 from an apartment complex account he managed. The case was investigated with the Albert Lea Police Department. In June 2010, he was charged by the Steele County Attorney's Office with Theft, Insurance Fraud and Aggravated Forgery in Freeborn County.

*A former insurance agent and loan originator*, who worked for a mortgage company, misappropriated and converted funds from clients for his own personal use. The 49-year-old man obtained checks from several clients for the purpose of obtaining a mortgage loan modification or refinance of their property. The defendant informed the clients that their \$750 checks would be applied as part of a down payment for the modification or refinance. The defendant deposited the checks directly into his personal bank account, and in some cases altered the checks to facilitate the deposit. The defendant illegally obtained \$6,375 and was charged with Theft, Theft by Swindle, Theft by False Representation, and Check Forgery by the Washington County Attorney's Office in August 2010.

## ***Arson Insurance Fraud***

*A 36-year-old man from Minneapolis, and leader of the Beat Down Posse, an outlaw criminal organization that has been active in North Minneapolis for several years, allegedly committed arson-related insurance fraud and mortgage fraud. Within a three-year period from 2004 to 2007, several houses in Minneapolis with ties to the organization were burned. The homes were owned by the man through associates of his organization who were “straw buyers” for the properties. When the property was sold at inflated prices to these straw buyers, the man received monies from both sides of the sales transaction, receiving profits as the seller and kickbacks from the straw buyers. The scheme provided monies to the man through both mortgage fraud and insurance fraud claims on the homes. The homes were destroyed by fire, and officials determined the cause to be arson. The estimated losses were over \$1,000,000. Several federal search warrants were issued and executed in the fall of 2009. A cache of weapons were recovered at one of the venues. The Hennepin County Attorney’s Office has charged the man in two separate complaints with one count of Terroristic Threats, two counts of Prohibited Person in Possession of a Firearm in October 2010, and one count of Theft by Swindle on the mortgage fraud scheme in November 2010. Several of his associates have also been charged. The case was investigated with the Violent Offenders Task Force of the Minneapolis Police Department, Internal Revenue Service, Criminal Investigations and Federal Bureau of Investigation.*

*Arson and suspected arson account for 500,000 fires a year, or 1 of every 4 fires in the U.S. according to the National Fire Protection Association*

### ***Automobile Insurance Fraud***

*A former insurance agent in Brooklyn Park sold fake automobile insurance after the department's Market Assurance Division took regulatory action against the man for issuing fraudulent insurance documents. The 48-year-old man's scheme was discovered by the Brooklyn Park Police Department when fraudulent certificates of insurance were presented to police officers during traffic stops. The man targeted the immigrant community and sold more than 400 fraudulent certificates of automobile insurance from the back room of a food market in Brooklyn Park. He received payments ranging from \$200 to \$450 for the certificates of insurance, taking a total of \$62,000 since November 2005. In October 2010, the Hennepin County Attorney's Office charged him with one count of Theft by Swindle.*

*A 40-year-old man from St. Francis filed a false claim with his insurance company reporting that his 2003 GMC Sierra pickup truck had been stolen and collected \$18,500. The man had sold his pickup truck to a 60-year-old man from Milaca for \$5,000 to \$6,000 who agreed to hide the vehicle for seven years so that the statute of limitations for insurance fraud would run out. The Milaca man towed the vehicle into his backyard and removed the license plates. The scheme was discovered when he had become intoxicated and mentioned that the vehicle was stolen. On September 30, 2010, the Mille Lacs County Attorney's Office filed charges against both men for Insurance Fraud Conspiracy.*

### ***Commercial Insurance Fraud***

*In February 2010, the owner of a business in Woodbury falsely reported to the Woodbury Police Department that he was assaulted and robbed by three assailants who stole his camera case with several expensive cameras and photography equipment. The 35-year-old man filed a claim with his insurance company stating that his total loss was \$11,297. He told police officers that he rented photographic equipment from three different companies. However, each company reported that they had no business transactions with the defendant. A search warrant was executed on the defendant's office and located a camera and photographic equipment that were reported stolen. The defendant admitted that he committed Insurance Fraud and he was charged by the Washington County Attorney's Office on August 17, 2010. The investigation was conducted with the Woodbury Police Department.*

## ***Disability Insurance Fraud***

*In North Mankato, a man employed as a valet at a casino submitted a claim for long-term disability based upon partial loss of vision. He began receiving long-term disability benefits of \$770.00 each month from the insurance company. About six months later, he started a new job, but falsely claimed that he had no income on four different occasions. He obtained more than \$34,000 from the insurance company and was charged with four counts of Insurance Fraud and eight counts of Theft in August 2009 by the Blue Earth County Attorney's Office. On September 24, 2010, he pled guilty and was sentenced to prison for 20 days and ordered to make restitution.*

*Disability insurance fraud is defined as any claim for benefits in which a person deliberately makes a misrepresentation or false statement to collect disability benefits.*

*A man from St. Paul collected disability payments that he was not entitled to after returning to work. The man worked as an owner operator truck driver and was involved in an accident, sustaining an injury to his knee which supposedly made him unable to work. He filed a disability claim with his employer's insurance company and collected \$400 every week while he was unable to work. He started hauling loads for another trucking company and failed to report his change in work status to the insurance company. From April 2007 through April 2008, he collected approximately \$22,000 in disability payments that he was not entitled to. In March 2009, he was charged with Theft and Insurance Fraud by the Steele County Attorney's Office. In November 2010 he pled guilty and paid \$18,000 in restitution.*

## ***Healthcare Insurance Fraud***

*In December 2008, a 22-year-old woman falsely claimed that she fell down a flight of stairs when the heel of one of her boots had come off. A 52-year-old male acquaintance claimed he was present when the incident happened and attempted to stop the woman from falling. The woman said she was treated for her injuries at a medical center, where she also learned she was pregnant. After claiming to have suffered a miscarriage, the woman and man filed claims with the insurance company of the shoe manufacturer, asking for payment of their medical bills. During the claim process the woman asked for a \$25,000 settlement. The medical center determined that she was intoxicated when she was seen by hospital staff and had been found wandering outside by her neighbors who called 9-1-1. She gave the officers from the Brooklyn Park Police Department responding to the scene three different stories, including that her male acquaintance had assaulted her. The medical center reported that she was not pregnant. In June 2010, the Hennepin County Attorney's Office charged both defendants with Aiding and Abetting an Insurance Fraud. On September 23, 2010, the woman pled guilty and was sentenced to serve one year and one day in prison.*

*The National Insurance Crime Bureau claims that fraudulent claims from staged accidents jumped 46% from 2007 to 2009.*



## ***Home Insurance Fraud***

A 54-year-old woman and 35-year-old man employed by an insurance company devised a scheme to defraud their employer by filing multiple claims for hail damage on the same residence. The woman was employed as an office manager and the man was employed an inspector and adjuster for the insurance company in St. Joseph. She issued a check to herself and her husband for an insurance claim in the amount of \$17,195 for hail damage to her home. She sold the house to her co-worker without repairing the damage, but reduced the price of the home for the unrepaired hail damage. A second claim for hail damage on the same home was paid by the insurance company in the amount of \$21,270. The office manager signed the check and the inspector acted as an adjuster on the claim. On March 16, 2010, they were charged with Aiding and Abetting Insurance Fraud by the Stearns County Attorney's Office.

*Unscrupulous contractors inflate insurance claims by causing mechanical damage on roofs with little or no hail damage.*

In May 2008, a severe thunderstorm produced large hail in Hennepin County and roofing contractors began contacting homeowners to determine the extent of hail damage. A 31-year-old roofing contractor inspected the roof of home in Maple Grove and advised the homeowner that there was damage to the roof, siding and fascia. In September 2009 the roofing contractor and another man made a second inspection on the home and were observed and photographed by another roofing contractor across the street pounding an unidentified tool to the surface of the roof. When asked what they were doing, the roofing contractor stated that they were making the hail damage more pronounced. The insurance company paid \$9,909 to replace the roof as a result damage caused by the defendant. On August 5, 2010, the contractor was charged with Insurance Fraud and Damage to Property by the Hennepin County Attorney's Office.

## ***Mortgage Insurance Fraud***

A 50-year-old woman who owned a real state closing services company in Forest Lake misappropriated and converted more than \$1.2 million from real estate transactions for her own personal use. From January 2007 to September 2009, she took funds that were intended to pay off previous mortgages on at least 42 real estate transactions. The scheme unfolded when a Forest Lake bank discovered that the funds put in her closing escrow account were never used to pay off her mortgage on an apartment building. On June 24, 2010, the Washington County Attorney described the investigation as the largest theft case in Washington County history and filed 34 separate charges for Theft, Forgery and Racketeering. The investigation was conducted with the Forest Lake Police Department.

*Mortgage fraud hurts consumers, the real estate market and the economy.*

A licensed real estate salesperson and insurance agent who worked for a title and real estate service company in Burnsville engaged in a pattern of insurance/mortgage fraud using proceeds intended for mortgage insurance or title insurance. The 40-year-old woman misappropriated, converted and embezzled more than \$220,000 in proceeds by

issuing checks for her own benefit from trust and title insurance accounts. On May 5, 2010, the Dakota County Attorney's Office filed a third amended complaint charging her with five counts of Theft, three counts of Theft by Swindle, eight counts of Insurance Fraud and one count of Racketeering.

In conjunction with this case, a 34-year-old man from Lakeville, who was employed as a realtor, and a 36-year-old man, who was a mortgage loan officer and broker, conspired with the Burnsville insurance agent in a mortgage fraud scheme. The insurance agent organized a criminal enterprise using sellers, buyers, real estate agents and mortgage brokers. She structured real estate closings to fraudulently obtain mortgage monies of hundreds of thousands of dollars. The insurance agent was the main defendant and charged with the aforementioned felony charges. On May 5, 2010, the other two defendants were charged with Theft by Swindle and one was also charged with Racketeering by the Dakota County Attorney's Office. The main defendant pled guilty to three counts of theft over \$435,000.

*A 30 year-old man from Bemidji, who owned a mortgage company in Ramsey, and a 37 year-old woman employed as a loan processor at his company, knowingly facilitated a large scale mortgage fraud scheme with other defendants. The defendants found "straw buyers" to purchase residential property, offering them \$5,000 for each property that they purchased. The woman used her parents to purchase a total of 16 properties as straw buyers. The mortgage company withheld information from the mortgage lender and allowed the loans to be processed. They opened title insurance policies to protect the purchaser and lender on the mortgages, which subsequently were defaulted. The investigation was conducted by the Carver County Sheriff's Office and both defendants were charged with two counts of mortgage fraud by the Carver County Attorney's Office.*

### ***Workers' Compensation Fraud***

*A 24-year-old woman from St. Cloud received workers' compensation benefits as a dependant on her father's insurance company, while falsely claiming she regularly attended St. Cloud State University as a full-time student. One of the requirements for her to receive the benefits was attending college as a full-time student. She received more than \$12,500 in workers' compensation benefits when she was not enrolled as a student and/or enrolled as a part-time student. On March 25, 2010, the Sherburne County Attorney's Office charged her with Workers' Compensation Fraud.*

*During a three-year period, a man from Superior, Wisconsin, improperly and illegally obtained his father's workers' compensation benefits from the Minnesota Department of Labor and Industry after the death of his father. The 69-year-old man received his father's bi-weekly workers' compensation benefits totaling more than \$79,800 from May 2006 to May 2009. The man failed to notify the State of Minnesota of his father's death and stole his father's identity to illegally obtain workers' compensation benefits. The man was charged with two counts of Workers' Compensation Fraud and two counts of Insurance Fraud by the Ramsey County Attorney's Office. On February 16, 2010, he*

pled guilty to one count of Workers' Compensation Fraud and was ordered to make full restitution.

*In December 2006, a St. Paul man reached a stipulation for settlement on a workers' compensation claim with the State of Minnesota for \$13,000, but failed to notify the Minnesota Department of Labor and Industry that he mistakenly received a \$55,571 settlement check. The error was discovered by an audit in October 2008 and the man refused to respond to any inquiries. The man had deposited the check in his bank account and depleted the account through large cash withdrawals within five months. The man was charged with Theft by the Ramsey County Attorney's Office on July 17, 2009 and pled guilty on March 15, 2010. He was ordered to make restitution and placed on probation for 10 years.*