



Commerce Fraud Bureau Annual Report

2023

REPORT PREPARED BY

Minnesota Department of Commerce
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<https://mn.gov/commerce/business/enforcement/cfb/>

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Minnesota Department of Commerce

Mission

For more than 150 years, the Minnesota Department of Commerce and its predecessor agencies have served Minnesotans. Our mission is to protect and assist consumers, to ensure a strong, competitive and fair marketplace, and to engage people and communities across the state.

Our Strategic Priorities

- Protect the public interest through consumer protection, consumer education, assistance to consumers, safety, health and financial security, and lowering inequities.
- Serve as a trusted public resource for consumers and businesses by listening and learning from the Minnesotans Commerce services, being effective stewards of public resources, advocating for Minnesota consumers and develop a policy, programmatic, and regulatory environment that meets their needs.
- Reduce economic barriers within Commerce regulatory oversee and reduce disparities within those of all races, ethnicities, religions, economic statuses, gender identities, sexual orientations, (dis)abilities, and zip codes.
- Ensure all, especially historically disadvantaged Minnesotans, are resilient to Minnesota's climate and engaged in advancing efforts to mitigate climate change.
- Ensure a strong, competitive, and fair marketplace for Minnesotans.

Annual Report to the Minnesota State Legislature

Pursuant to Minnesota Statutes § 45.0135, subdivision 5, enclosed is the Commerce Fraud Bureau's (CFB) annual report of its activities as prescribed by the Commissioner. The CFB is one of Minnesota's six statutorily authorized law enforcement agencies and is comprised of sworn special agents within the Minnesota Department of Commerce. This report provides the capstone of the activities of the CFB for the year.

Insurance fraud is one of this nation's largest crimes — at least \$308.6 billion is stolen each year according to the Coalition Against Insurance Fraud.

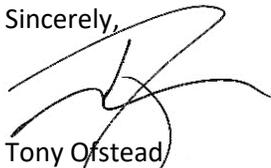
In 2023, the CFB fielded 2,942 case referrals. CFB criminal investigations resulted in criminal complaints of individuals who were responsible for committing crimes that had an economic impact on Minnesotans totaling \$35,187,652.25.

The mission of the CFB is, "To protect Minnesotans from fraud by conducting aggressive criminal investigations in the pursuit of justice." This is not simply a statement for us, but rather a roadmap for us to continue to fight against fraud and unscrupulous individuals who prey upon the great people of Minnesota. Increasingly, fraudsters are utilizing the advancements in technology to perpetrate more sophisticated fraud schemes. This is the reason why the work we do is so important. The men and woman who work for the CFB are highly regarded by their peers and have continued to perform exemplary work around fraud investigations.

I encourage you to review this report to learn more about who the Commerce Fraud Bureau is and what we can do. Please feel free to contact me with any questions you may have at 651-539-1602.

Thank you for your ongoing and continued support.

Sincerely,



Tony Ofstead
Director | Chief Law Enforcement Officer
Minnesota Commerce Fraud Bureau

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OVERVIEW

- The CFB serves to protect the public's interest and is a key part of the state's consumer protection and criminal justice systems.
- Commerce Fraud Bureau investigations resulted in the filing of state and federal criminal charges with an economic impact of \$35,187,654.25 in 2023.
- The CFB received 2,942 incoming case referrals in 2023.
- The five largest areas of suspected fraud reported to the CFB during 2023 were:
 - Automobile Insurance
 - Homeowners Insurance
 - Health Care Insurance
 - Workers' Compensation Insurance
 - Life Insurance

COMMERCE FRAUD BUREAU

INTRODUCTION

The Commerce Fraud Bureau (CFB) is the recognized leader in insurance related fraud and white-collar financial crimes criminal investigations in the State of Minnesota.

As one of Minnesota's six state level law enforcement agencies, the CFB is housed inside the Minnesota Department of Commerce under the Enforcement Division.

Minnesota Statutes § 45.0135 grant the CFB primary law enforcement responsibilities for conducting criminal investigations into cases involving insurance fraud and financial crimes. The CFB routinely undertakes complex investigations that require a high level of expertise, and often, that is usually beyond the scope, capacity and/or expertise of other traditional law enforcement agencies. As such, the CFB collaborates with local, state, and federal law enforcement agencies to apprehend those responsible for committing these crimes, and supports the charges by local, state, and federal attorney's offices to hold them accountable for their actions.

The range of investigations and complaints the CFB undertakes are broad and varied. They include investigations around fraudulent health insurance claims, businesses illegally trying to avoid paying workers compensation insurance premiums, cyber financial crimes, property and casualty insurance schemes, funeral insurance fraud, and more. As fraud schemes become more complex, and the perpetrators savvier, our tools and techniques for identifying criminal activity have also grown more sophisticated.

Those involved in perpetrating these types of crimes often target senior and vulnerable populations, as well as those who are victims of circumstance such as storm and weather events, accidents, even burying a loved one. The work of the CFB is complex, meaningful, and plays a key role as part of the state's consumer protection and criminal justice systems.

PERSPECTIVE

Commerce Fraud Bureau Special Agents are Minnesota Police Officer Standards and Training (POST) certified licensed peace officers with extensive law enforcement backgrounds, training, and experience. CFB special agents are considered experts in the field of insurance fraud. Aside from being extensively trained in criminal investigations, CFB agents and staff provide assistance to, and training for consumers, the insurance industry, and our law enforcement partners.

CFB analysts are highly trained personnel who function in a non-sworn support role conducting research, analyzing data, crime, and trend analysis, and play an integral role alongside CFB special agents. As civilians, they are able to lend a different investigative perspective to the cases we work here at the CFB.

PURPOSE

- Identify and investigate insurance fraud, financial crimes, and associated fraud.
- Provide education in how to avoid being a victim of fraud.
- Create diverse and varied partnerships to identify and apprehend offenders and hold them accountable.
- Establish and maintain positive working relationships with law enforcement entities throughout the state.

The CFB not only conducts complex criminal investigations, but also collaborates with law enforcement agencies throughout the State to be an asset and a resource. This is accomplished by consulting on investigations, training, and collaboration, and CFB agents acting as ‘force multiplier’ for agencies in fraud investigations. The CFB is positioned to deploy significant assistance efficiently and effectively across the state, to include Greater Minnesota where investigative resources may be less readily available.

The CFB assists our law enforcement partners by providing such services as:

- Computer and cell phone forensic examinations.
- Collection, analysis of evidence in financial crimes.
- Surveillance support and technical expertise.
- Equipment lending for the furtherance of auto theft related Investigations.

ACTIONS

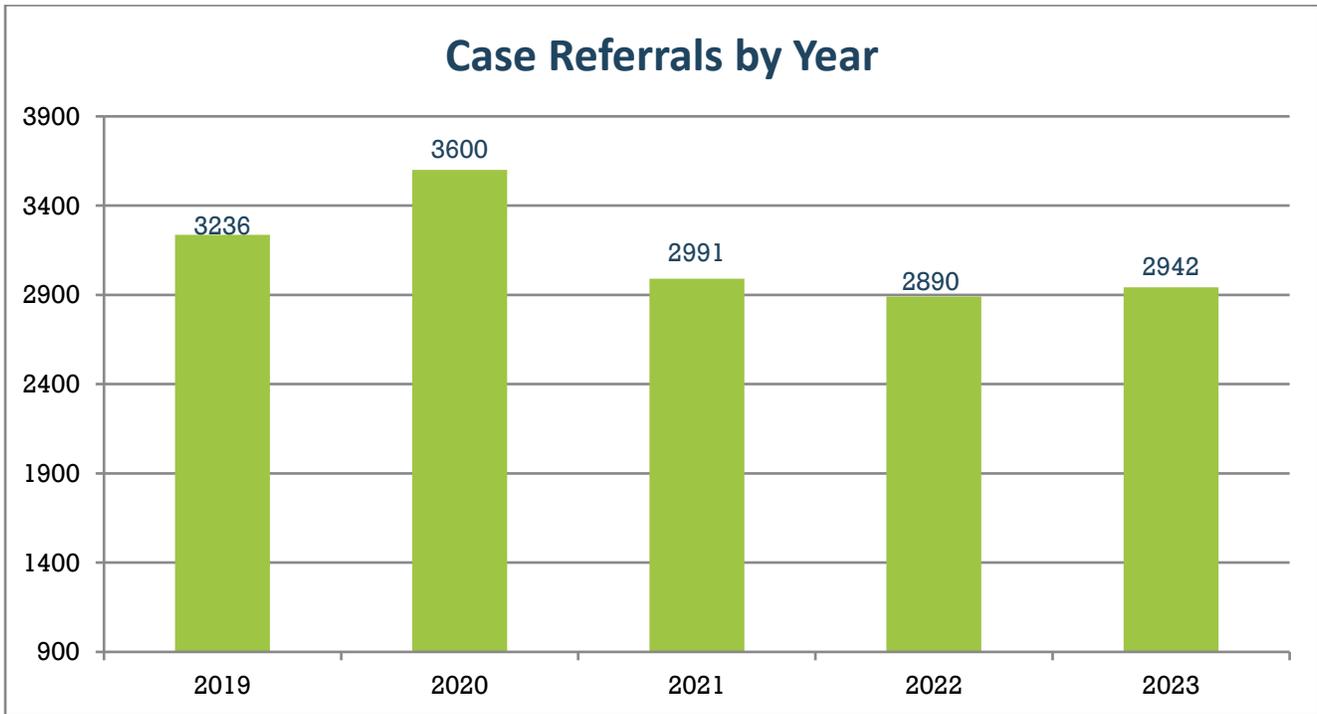
INVESTIGATIVE REQUESTS

Cases for investigation are referred to the CFB through 4 major sources:

- The general public
- Insurance companies
- Law enforcement agencies
- Other governmental regulatory entities

Each incoming complaint is carefully reviewed to determine if the information submitted articulates a sufficient basis for the CFB to initiate a criminal investigation into the fraud allegation.

The following graphic represents the total number of cases referred to the CFB for investigation during each of the previous five years.

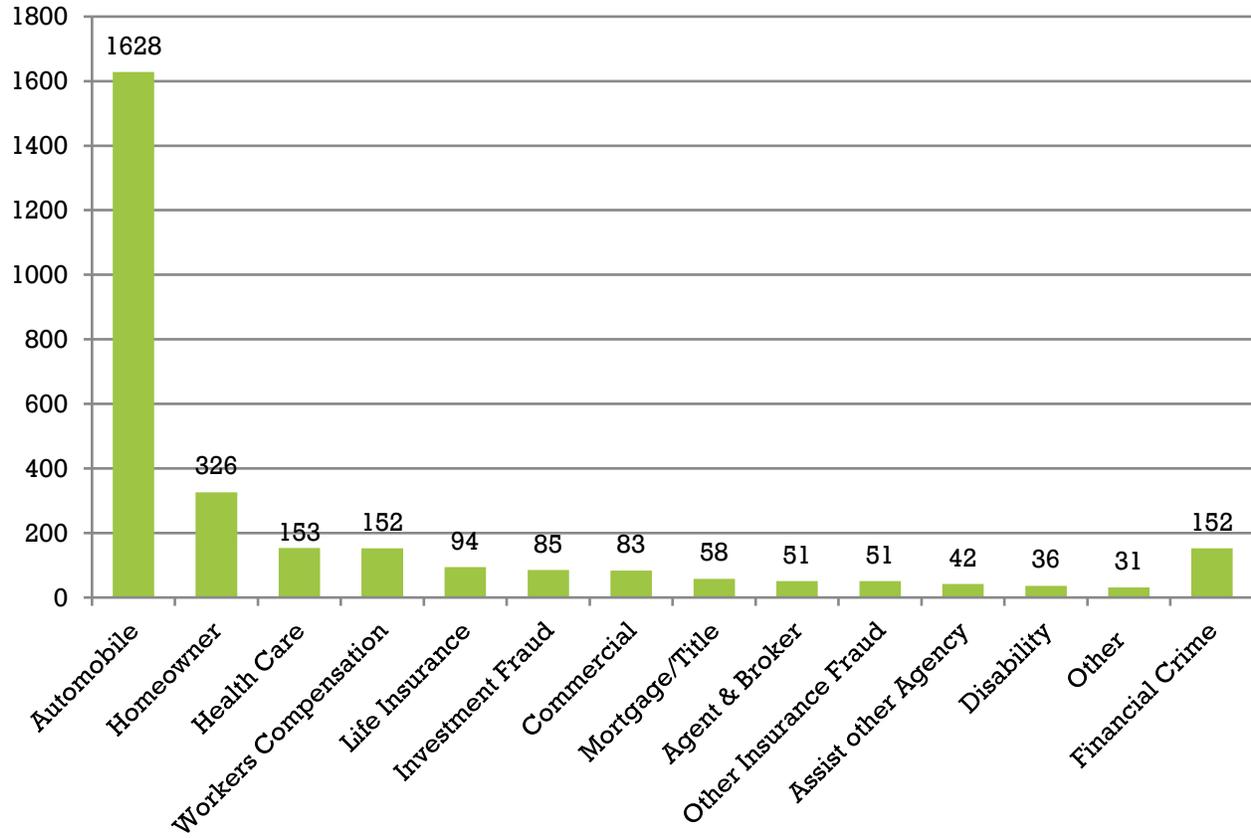


TYPE OF FRAUD CASES

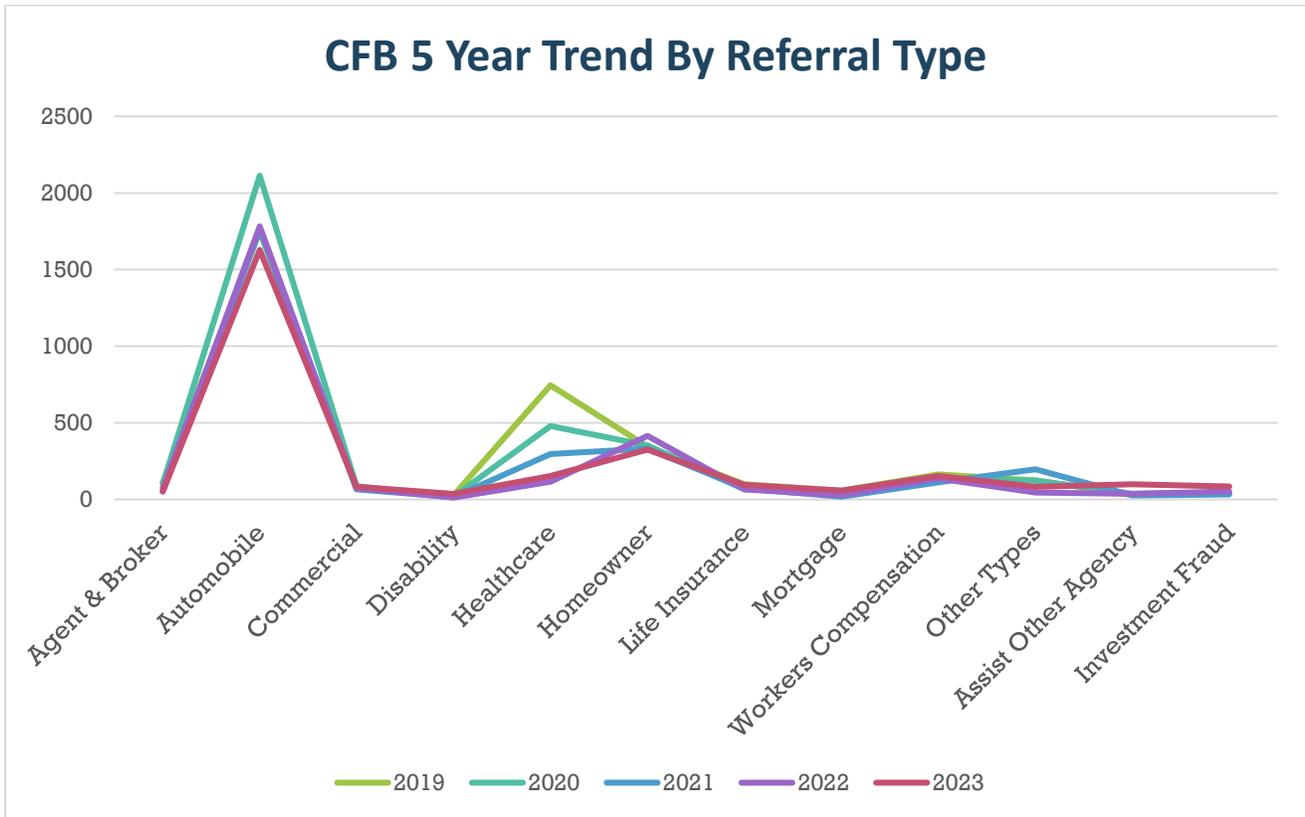
The five largest areas of suspected fraud reported to the Bureau during 2023 were:

- Automobile Insurance
- Homeowners Insurance
- Workers' Compensation insurance
- Health Care insurance
- Commercial insurance

2023 Incoming Referrals By Type of Fraud



CFB 5 Year Trend By Referral Type



<i>Referral Type</i>	2019	2020	2021	2022	2023
<i>Agent & Broker</i>	110	101	53	73	51
<i>Automobile</i>	1750	2113	1731	1782	1628
<i>Commercial</i>	73	86	64	74	83
<i>Disability</i>	27	18	16	12	36
<i>Healthcare</i>	745	478	300	116	153
<i>Homeowner</i>	345	353	341	415	326
<i>Life Insurance</i>	99	65	72	66	94
<i>Mortgage</i>	58	46	18	26	58
<i>Workers Compensation</i>	163	131	122	137	152
<i>Other Types</i>	124	124	197	45	82
<i>Assist Other Agency</i>	30	36	41	36	98
<i>Investment Fraud</i>	40	46	37	30	85

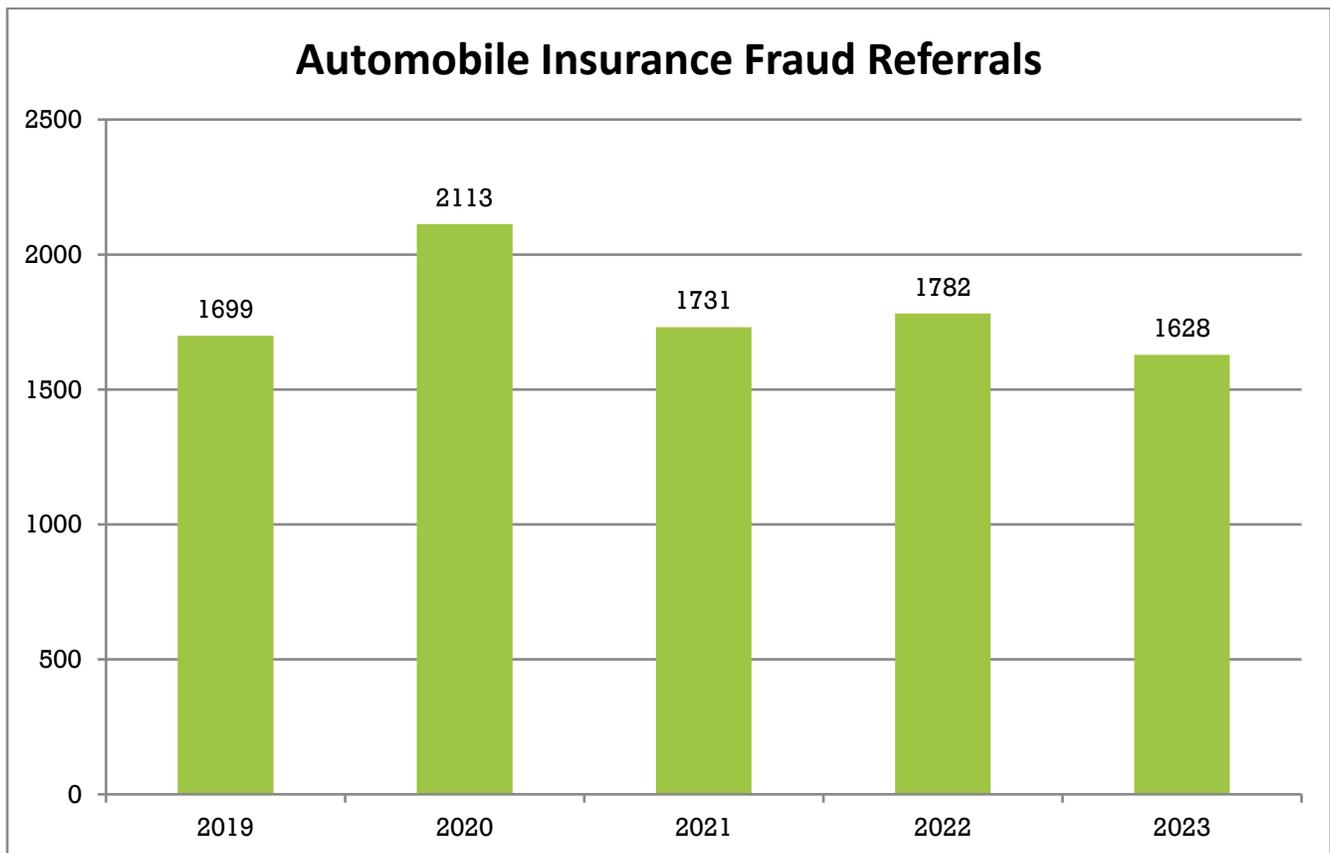
AUTO INSURANCE FRAUD

Auto insurance fraud may be attempted in any number of ways. Material misrepresentation occurs when the insured makes an untrue statement about coverage or events.

For example:

- Staging accidents
- Windshield replacement scams
- Filing false claims for pre-existing damage; insurance after the fact
- Towing scams
- Auto insurance premium evasion
- Filing false reports of stolen vehicles
- Driving without insurance or with limited insurance coverage

The following chart depicts the changes in the number of automobile insurance fraud referrals received during the previous five years.



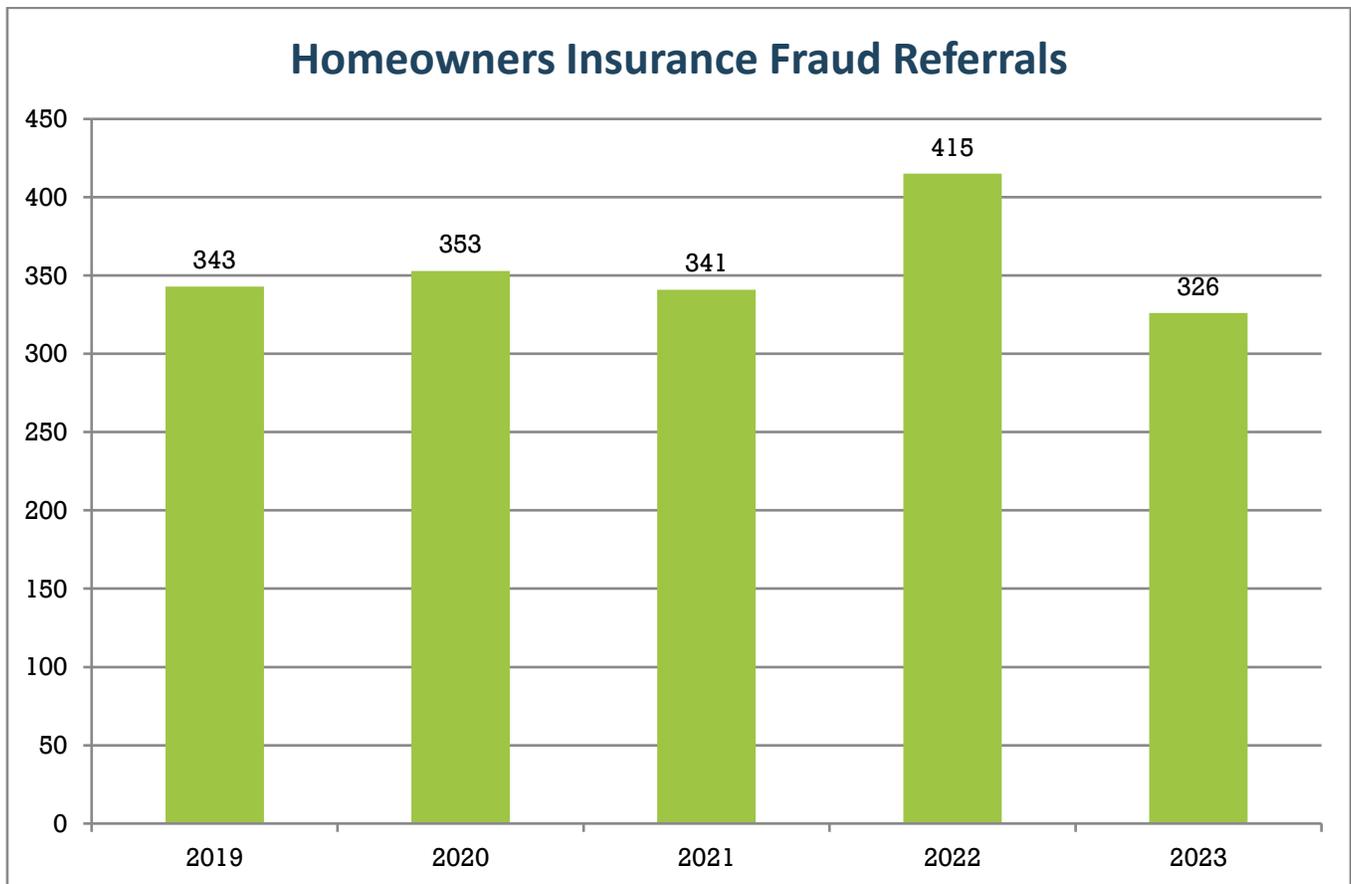
HOMEOWNERS INSURANCE FRAUD

Homeowners' insurance fraud may be attempted in a variety of different ways.

For example:

- Intentionally damaging property to make a claim
- Overstating value of stolen items
- Falsifying documents or statements of coverage
- Concealing that a residence is used as a rental property or being used for commercial business
- Claiming old, existing damage as new damage
- Kick back from a contractor inflating a claim to cover a deductible

The following chart depicts the changes in the number of homeowner's insurance fraud referrals received during the previous five years.



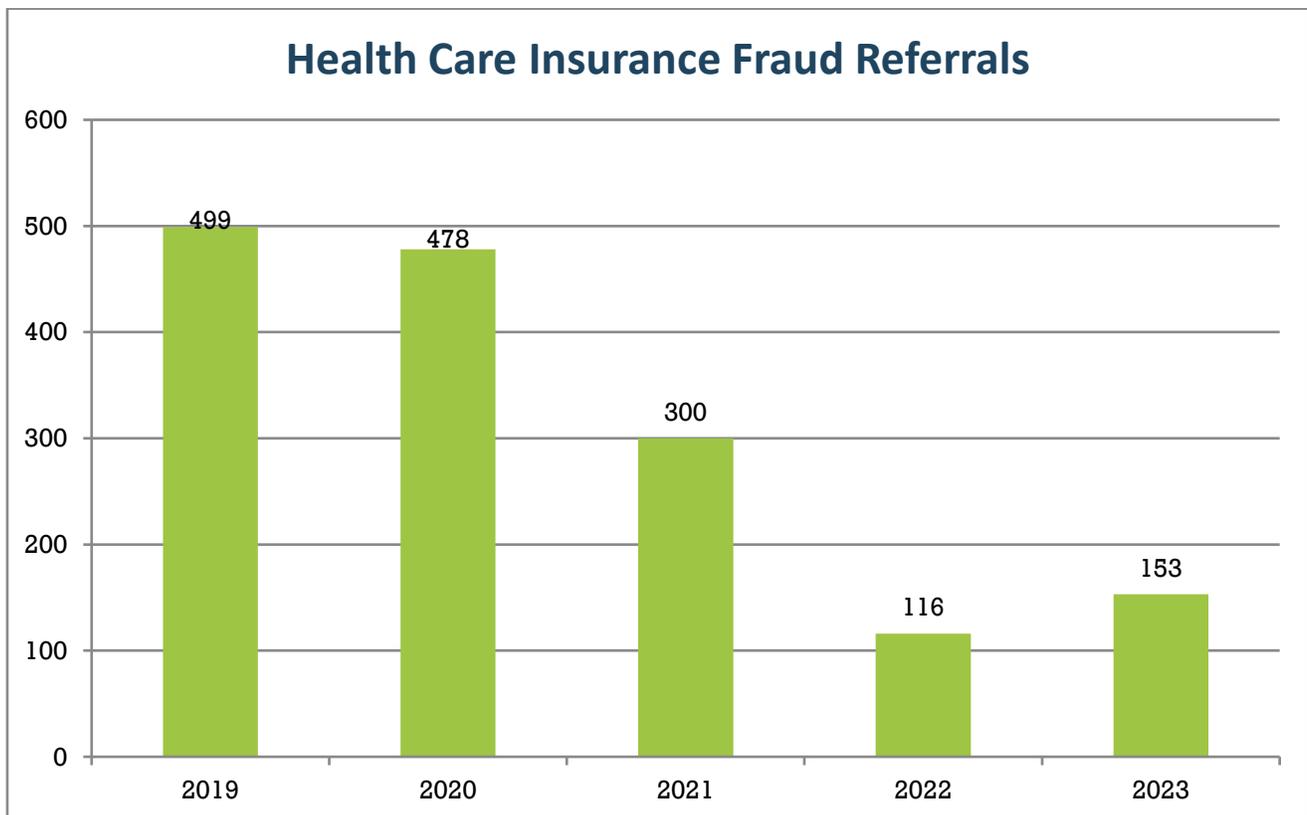
HEALTH CARE INSURANCE FRAUD

Health care insurance fraud may be attempted in a variety of ways.

For example:

- Filing claims for services or medications not received
- Forging or altering bills or receipts, misrepresenting dates and/or location of service
- Using someone else's coverage or insurance card
- Billing for services not actually performed
- Falsifying a patient's diagnosis to justify tests, surgeries or procedures that aren't medically necessary
- Staged auto accidents with fictional injuries and fraudulent inaccurate claims for injury treatment

The following chart depicts the changes in the number of health care insurance fraud referrals received during the previous five years.



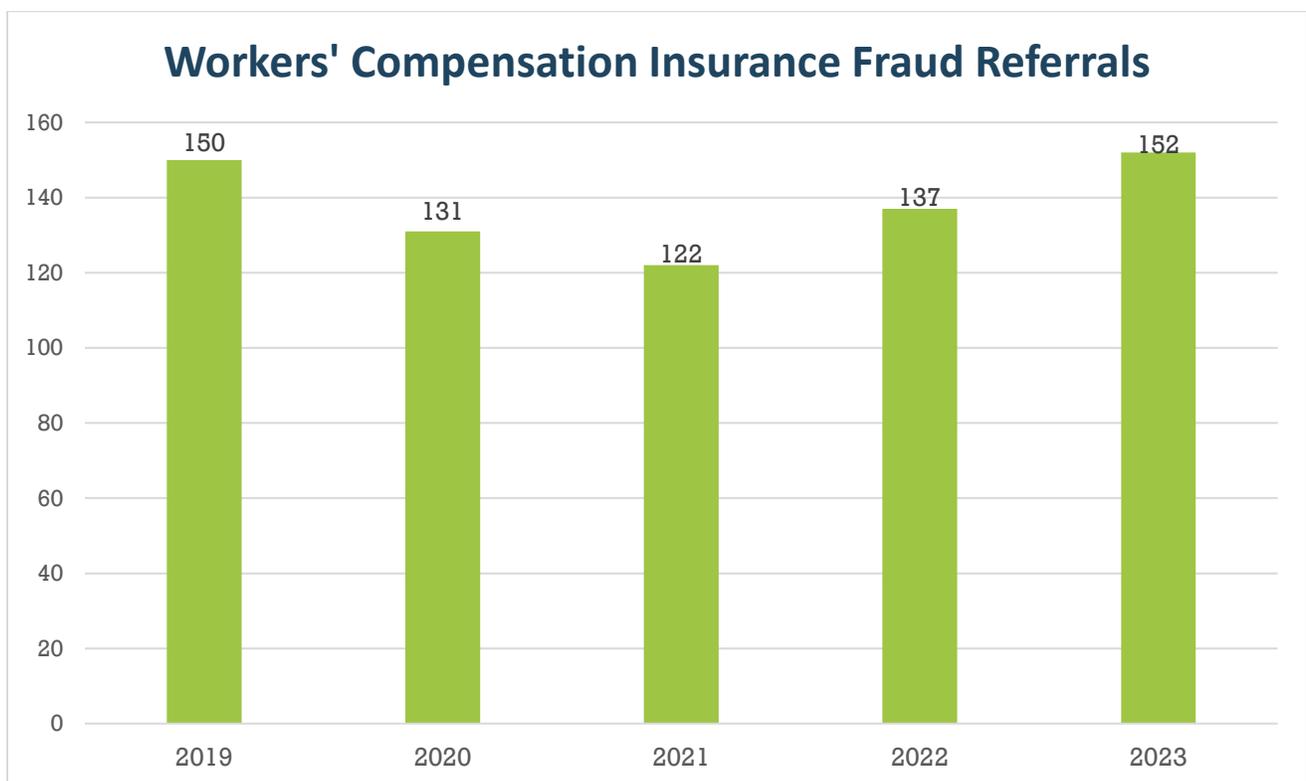
WORKERS' COMPENSATION INSURANCE FRAUD

Workers' compensation insurance fraud may be attempted in many ways.

For example:

- An employer misclassifying an employee to avoid having to pay workers' compensation insurance premium
- An employee faking a job injury or illness and using workers' compensation benefits to receive a payment for medical costs
- A health care provider, clinic, or hospital billing for a service that was not performed
- Fraudulent certificates of insurance

The following chart depicts the changes in the number of referrals received for workers' compensation fraud during the previous five years.



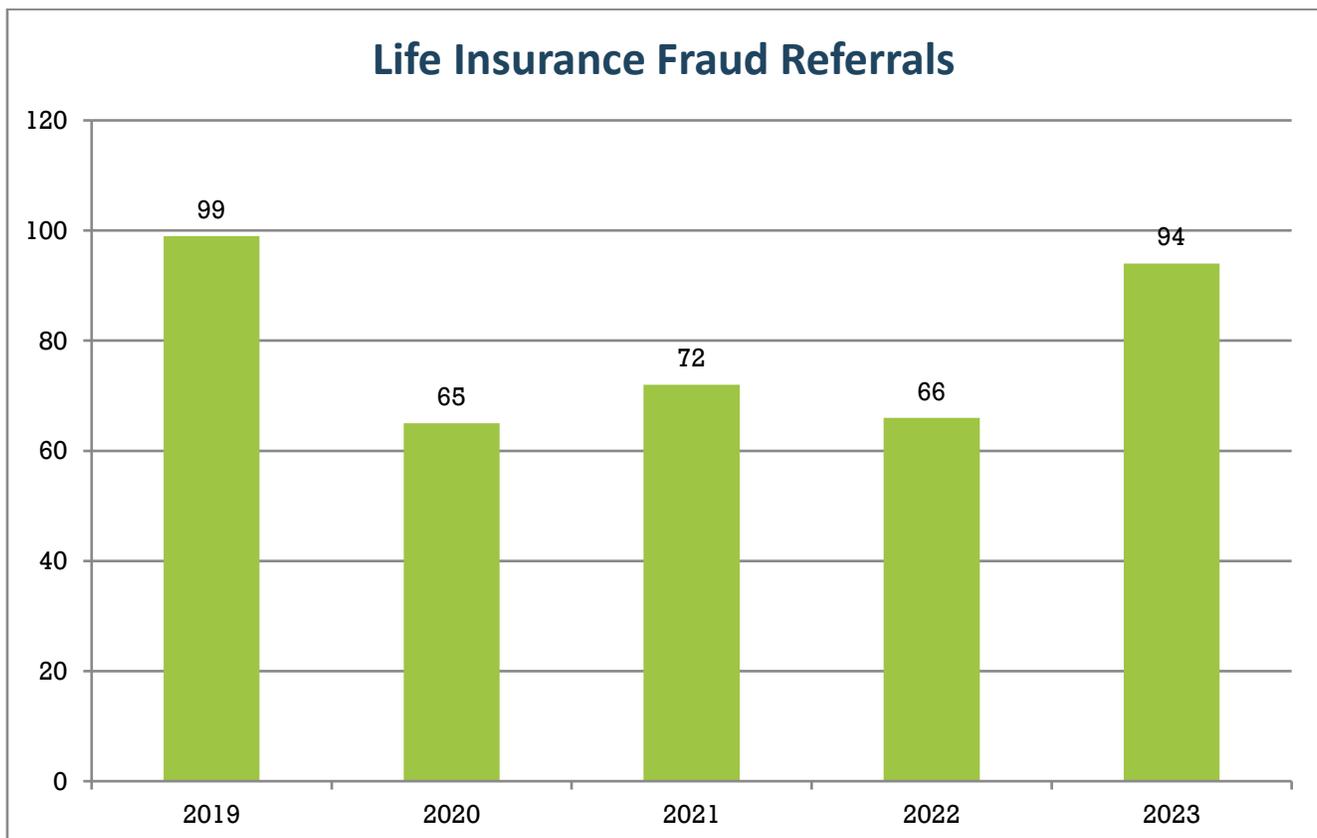
LIFE INSURANCE FRAUD

Life insurance fraud may be attempted in many ways.

For example:

- **Misrepresentation:** Lying or omitting information on an application, such as misrepresenting your health history or identity
- **Forgery:** Forging changes to a policy without the policyholder's consent, such as an insurance agent forging a signature
- **Faked deaths:** Staging a death, either your own or a loved one's, to collect on the policy
- **Third-party account takeover:** Pretending to be the policyholder to change beneficiaries or ownership
- **Premium diversion:** Embezzling insurance premiums, such as an agent not sending premiums to the underwriter

The following chart depicts the changes in the number of referrals for commercial insurance fraud received during the previous five years.



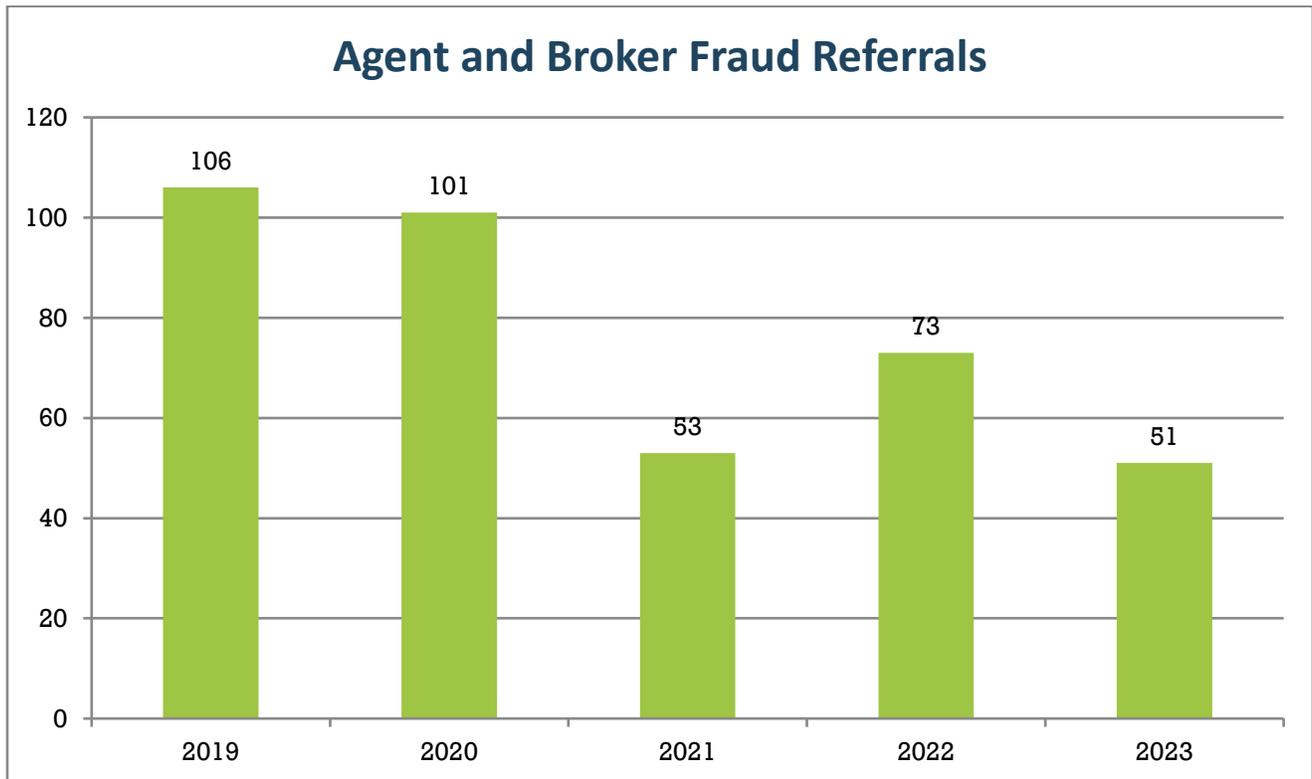
AGENT AND BROKER FRAUD

Historically Agent and Broker Fraud has been in the top 5 of referrals. While it has generally been trending downward, it merits inclusion in this report. Agent and broker insurance fraud may be attempted in several ways.

For example:

- Failing to provide appropriate disclosures
- Misrepresenting a material fact about a property or structure
- Licensing violations
- Mortgage fraud
- Misrepresenting a buyer's credit report, salary, or employment history to qualify for a home loan
- Criminal conduct by an agent or broker

The following chart depicts the changes in the number of referrals for agent and broker fraud received during the previous five years.

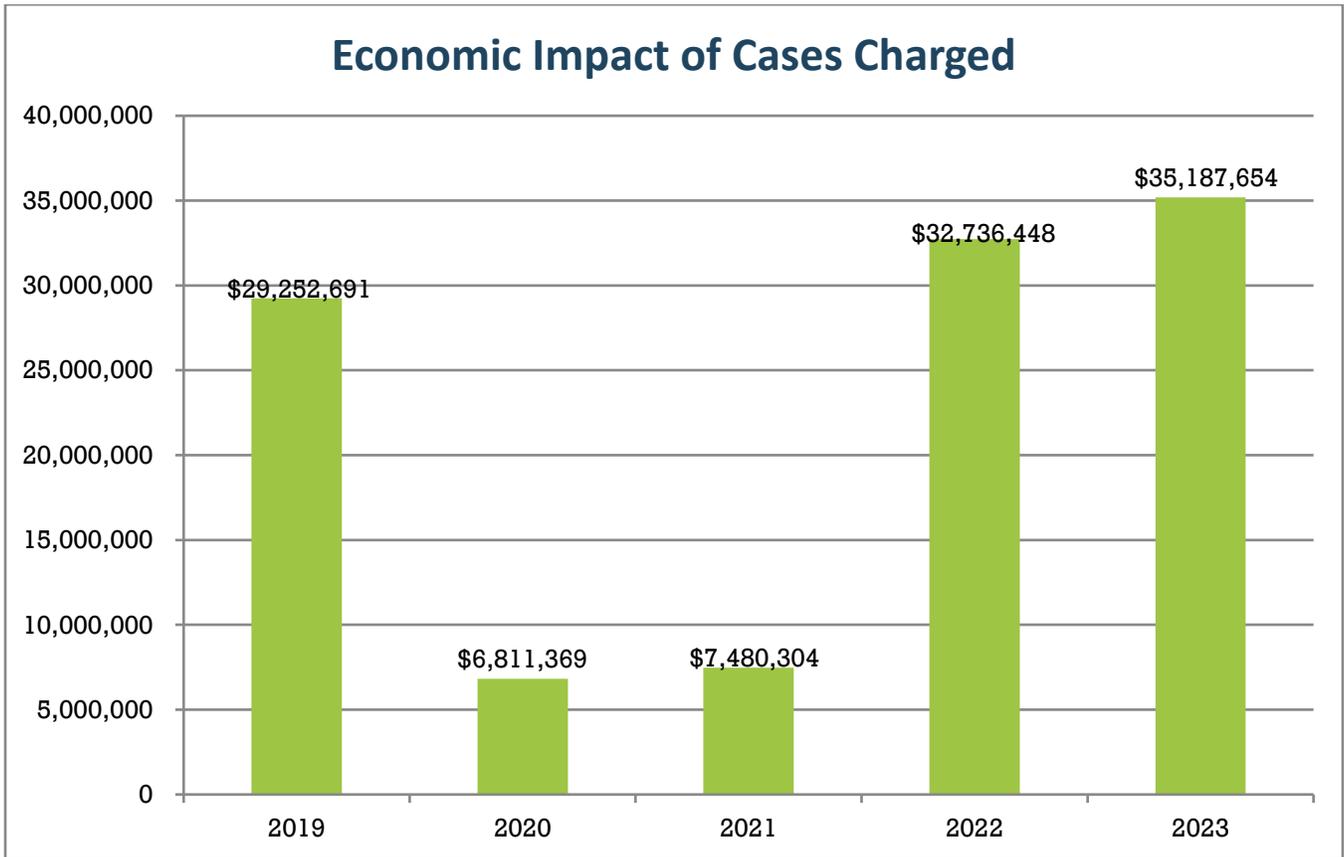


ECONOMIC IMPACT

In 2023, Commerce Fraud Bureau investigations resulted in the filing of criminal charges with an economic impact of \$35,187,654.25.

When a charging decision is reached on a case, the data from that case is reflected in the year the determination was made rather than the year that the criminal activity referral was received. The data listed for 2023, reflects charges that were obtained in 2023 even though some of the investigations were reported/initiated in previous years.

The economic impact amount represents the actual cash loss that occurred as a result of the criminal activity. Oftentimes, this amount is less than what was stolen due to the statute of limitation issues encountered in multi-year investigations.



TASK FORCE OFFICER PROGRAM

During 2023, the CFB continued its partnerships with multiple federal agencies and their respective Task Force Officer (TFO) programs. This program enables CFB agents to be cross designated as Federal Law Enforcement Officers, which allows the agents to access various federal law enforcement data systems, personnel, and other resources. This gives the CFB additional expertise and competency in conducting complex financial crime and insurance fraud investigations. Participation in this program continues to elevate the CFB in the eyes of Minnesotans and law enforcement peers.

The following are some of the entities the CFB currently holds TFO or liaison positions with:

- Federal Bureau of Investigations
- Homeland Security Investigations
- US Postal Inspection Service
- US Secret Service

BEHIND THE SCENES

The CFB is a trusted resource when it comes to investigations involving insurance fraud and financial crimes that focus on those who seek to scam and defraud Minnesotans. The information below summarizes key information about the CFB. During 2023, the CFB was staffed by twenty-seven (27) professionals: a director (Chief Law Enforcement Officer), three (3) supervisory special agents, thirteen (18) special agents, two (2) senior analysts, and three (3) analysts.

MAJOR CASE HIGHLIGHTS

Medicaid Fraud

In 2023, the CFB significantly contributed to an investigation where the Minnesota Attorney General charged three defendants in connection with defrauding the state's Medicaid system out of nearly \$11 million. The charges included racketeering, aiding and abetting theft by swindle, and perjury.

The charges stemmed, primarily, from an individual, who had been previously convicted of Medicaid fraud and was barred from operating any Medicaid-funded agency. During the subsequent investigation, voluminous documentary, digital, and financial evidence indicating that individual was intimately involved in multiple business that fraudulently billed Medicaid, and numerous former employees and clients, and one case manager, told investigators that the individual illegally operated these agencies. These agencies received over \$10.9 million from the State while he operated them without disclosing his involvement.

You can read the Minnesota Attorney General’s press release regarding this case here:
https://www.ag.state.mn.us/Office/Communications/2023/12/07_MedicaidFraud.asp¹

Catalytic Converter Theft Ring and Conspiracy

The CFB played an instrumental role in the coordination and facilitation of a nationwide investigation into the illicit world of catalytic converter thefts. The CFB initiated an investigation at the request of an insurance agency SIU over suspected insurance fraud related to the intentional removal of catalytic converter to sell illicitly and then have their policy holders replace them at a fraction of the cost of the illicit sale. The CFB subsequently partnered with federal, state, and local law enforcement entities from across the United States to execute a nationwide, coordinated takedown of leaders and associates of a national network of thieves, dealers, and processors for their roles in conspiracies involving stolen catalytic converters sold to a metal refinery for tens of millions of dollars.

Four Minnesotans were indicted for their roles in this multi-million-dollar scheme in which they acquired stolen catalytic converters and transported them across state lines to buyers who paid large sums of money for the stolen car parts. The charges included conspiracy to transport stolen property interstate, conspiracy to commit money laundering, false statements to a financial institution and possession of a machinegun.

You can read the U.S Department of Justice press release regarding this case here:
<https://www.justice.gov/usao-mn/pr/four-men-charged-their-roles-21-million-catalytic-converter-theft-ring>²

Learn more about the Commerce Fraud Bureau

If you are interested in learning more about the Commerce Fraud Bureau, please visit us at
<https://mn.gov/commerce/business/enforcement/cfb/>

Commerce is here to help

If you have a question or concern about a possible scam or fraud scheme, contact the Minnesota Department of Commerce’s Consumer Services Center at consumer.protection@state.mn.us, 651-539-1600 or 800-657-3602.

¹ https://www.ag.state.mn.us/Office/Communications/2023/12/07_MedicaidFraud.asp

² <https://www.justice.gov/usao-mn/pr/four-men-charged-their-roles-21-million-catalytic-converter-theft-ring>