

Several Factors Hinder Homeowner and Auto Glass Insurance Fraud Processing

Preliminary Findings

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OPPAGA

Office of Program Policy Analysis and Government Accountability

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Legislative Direction to OPPAGA

- Examine how effectively homeowner and auto glass insurance fraud is being handled in Florida
- Review factors that may be driving reports of fraud
- OPPAGA methodology
 - Analyzed six fiscal years of Department of Financial Services fraud data
 - Interviewed stakeholders
 - Surveyed state attorneys

Overview

- Background on fraud response
- Trends in reported fraud
- Department of Financial Services, Division of Investigative and Forensic Services (DIFS) fraud response process
- Fraud prosecution
- Options for legislative consideration



What Is Insurance Fraud?

- **Insurance fraud**: deliberate deception by parties in the claims process to obtain an illegitimate gain
- Insurance fraud can occur during the process of **buying, using, selling, or underwriting** insurance
- Common forms of fraud
 - Inflating claims
 - Submitting claims for injuries or damages that never occurred
 - Staging accidents



Multiple Entities Are Responsible for Reporting, Investigating, and Prosecuting Insurance Fraud

Insurance Company Special Investigative Units (SIUs)	Investigate and report possible insurance fraud to Department of Financial Services
Department of Financial Services, Division of Investigative and Forensic Services (DIFS)	Primary state entity <ul style="list-style-type: none">• Receives insurance fraud referrals (complaints)• Conducts investigations• Presents insurance fraud cases to prosecutors
Other Law Enforcement	<ul style="list-style-type: none">• Receives reports and investigates insurance fraud• Presents insurance fraud cases to prosecutors
Prosecutors	<ul style="list-style-type: none">• Collaborate and review criminal investigations• File formal charges• Present cases in court

Trends in Reported Fraud

Homeowner and Auto Glass Referrals Increased Between Fiscal Years 2014-15 and 2019-20

- Homeowner fraud referrals more than doubled across the review period
 - Total: 8,392 suspected homeowner fraud referrals
 - Range: 832 to 1,917
- Referrals generally concentrated in large population centers
 - Broward, Duval, Hillsborough, Miami-Dade, Orange, Palm Beach, and Pinellas
- Typical fraud referrals
 - Non-storm water damage
 - Roofing/windstorm damage
 - Third party representatives
 - Assignment of benefits to auto glass repair shops

DIFS Fraud Response Process

Overview of DIFS Process

Referral (a tip or report of fraud)

- Fraud is reported via the website or hotline
- Staff reviews referrals
- Supervisors close referrals or initiate case investigations

Case investigations

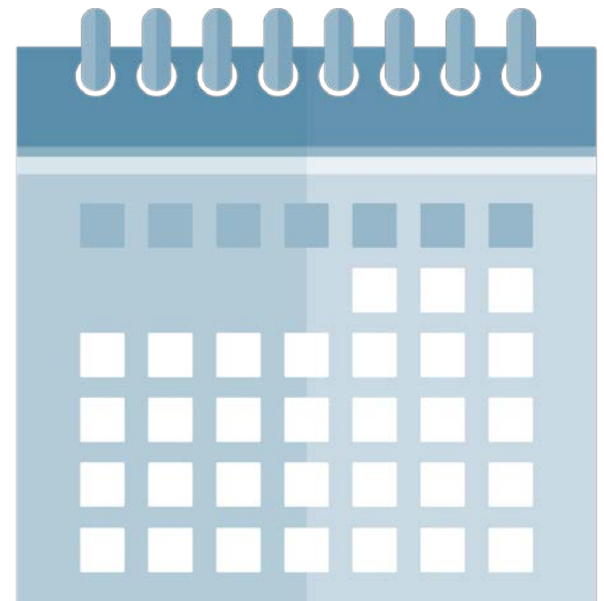
- Cases assigned to investigators
- Investigators conduct fieldwork
- Investigators close cases or present to a prosecutor

Presentation to prosecutors

- Requires sufficient evidence
- May result in arrests and prosecutions

DIFS Referral Evaluations Are Not Always Timely

- DIFS referral review process often exceeds timeline policies
- Cases assigned for review more than **180** days prior
 - **48%** of open homeowner fraud referrals
 - **30%** of open auto glass fraud referrals

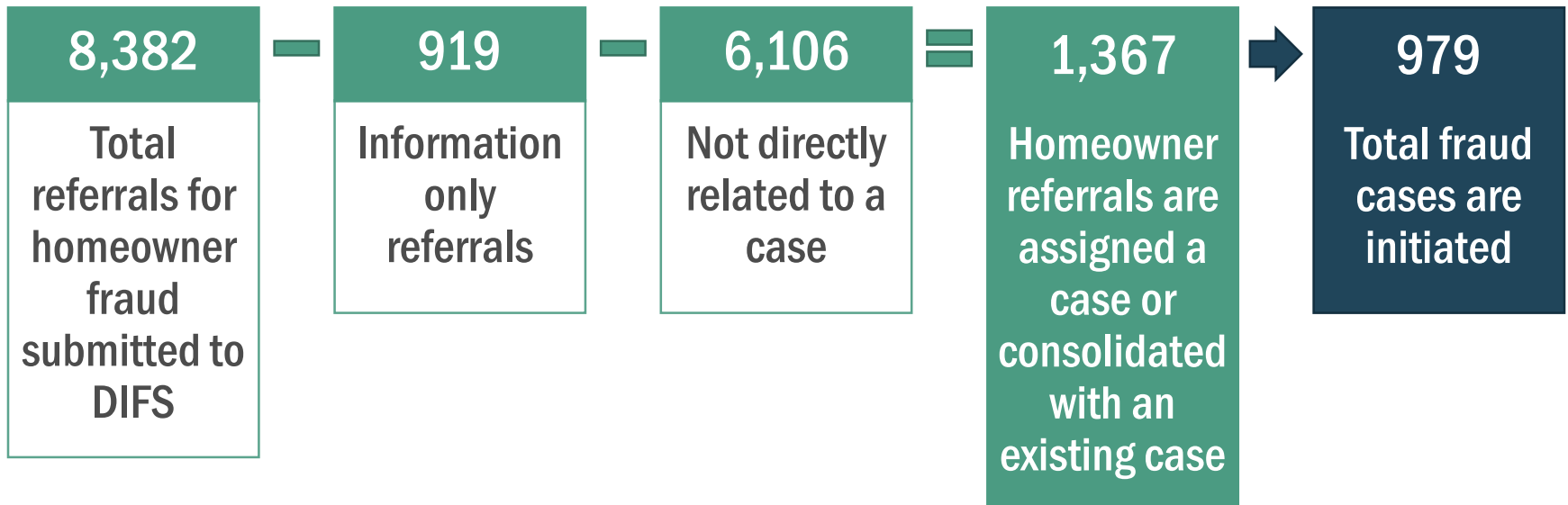


DIFS Dismissed Most Referrals Due to Evidence Concerns

- Lacked sufficient evidence
 - Limited investigative information provided by SIUs
 - Witnesses may be difficult to contact
- DIFS could not address all the factors needed to solve a case
 - Identifiable fraud
 - Availability of written/oral statements and sworn testimony
 - Jurisdiction

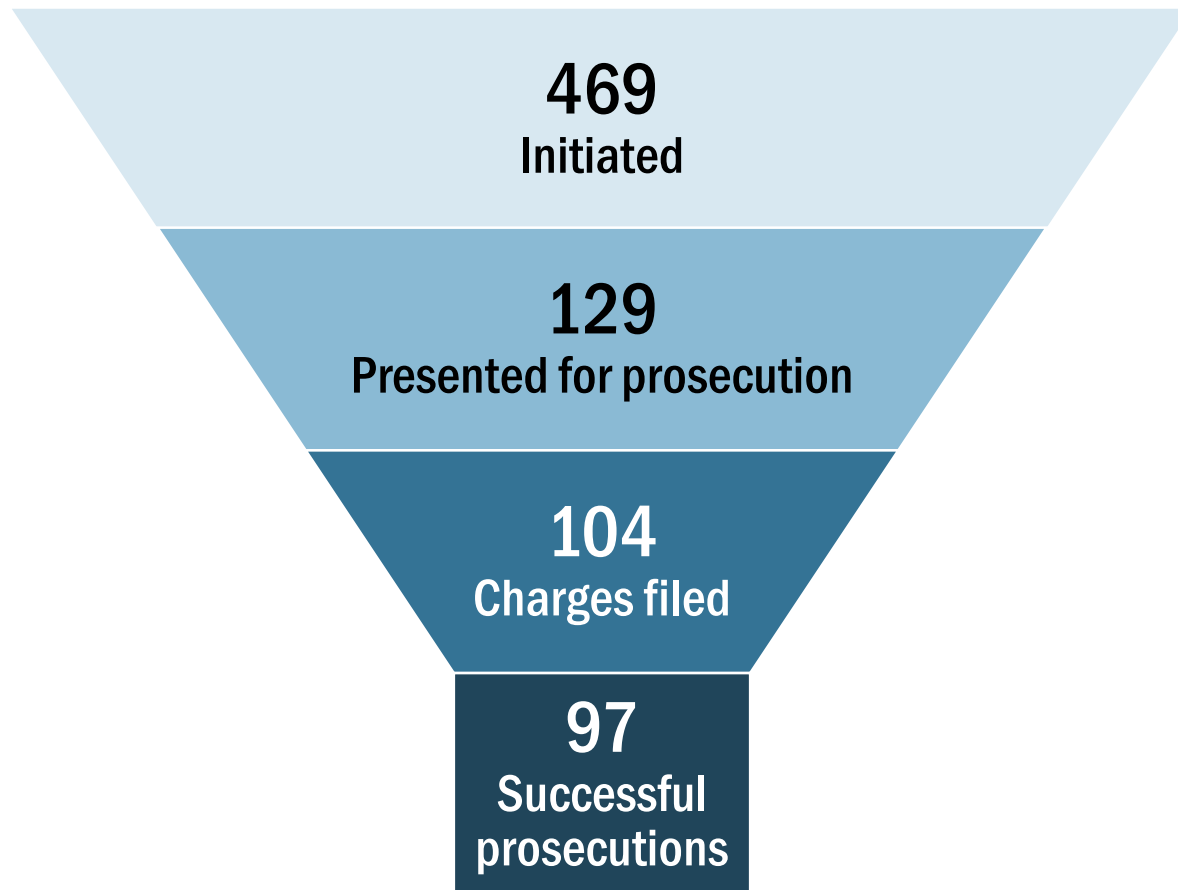
Few Homeowner Fraud Referrals Resulted in Fraud Case Investigations

From 2014-15 through 2019-20



Many Case Investigations Did Not Result in Presentations to Prosecutors

- Homeowner cases initiated in the first three years of our review



DIFS Reported That Staffing Issues Limit Its Ability to Investigate Complex Cases

- DIFS reports that recruitment and retention of skilled investigators is essential
- DIFS investigator staffing challenges
 - DIFS salaries are not competitive
 - DIFS is now hiring new police academy graduates



Prosecution

Majority of Homeowner Cases That Are Presented Are Successfully Prosecuted



- **75%** of homeowner fraud cases with a presentation for prosecution had at least one successful prosecution

State Attorneys Reported Barriers to Prosecuting Insurance Fraud Cases

- Quality of evidence is key
- DIFS cases are complete, thorough, and timely
- Reported barriers to prosecution
 - Insurance company investigations and evidence can be incomplete
 - Attributing fraud to a specific person can be difficult
- Homeowner insurance fraud cases are complex and take time

Options for Legislative Consideration

Options to Support DIFS Process by Improving Investigation Data Provided to DFS



Amend the required elements insurance companies must provide in fraud referrals



Establish DIFS capacity to audit insurance company investigative units

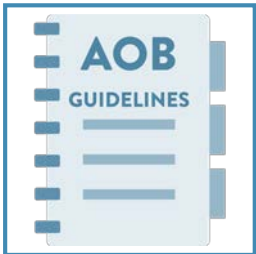


Modify the Anti-Fraud Reward Program

Options to Minimize Opportunities for Fraud



Modify fee provisions for attorneys



Amend assignment of benefits guidelines for auto glass insurance policies



Reduce the statute of limitations for hurricane/windstorm claims

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FLORIDA LEGISLATURE OFFICE OF PROGRAM POLICY ANALYSIS AND
GOVERNMENT ACCOUNTABILITY

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