

Addendum: SIU

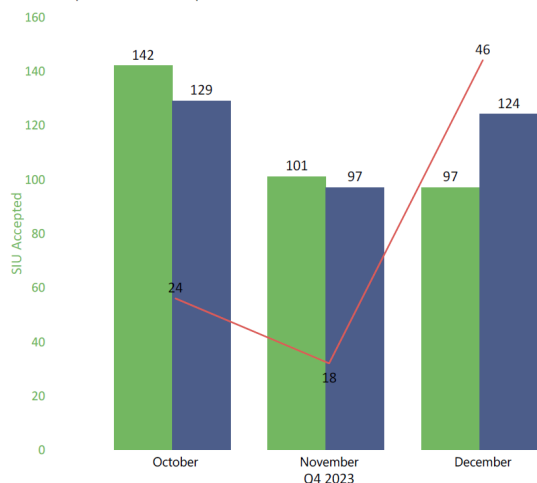
Claims Committee Meeting, March 28, 2024

Board of Governors Meeting, April 10, 2024

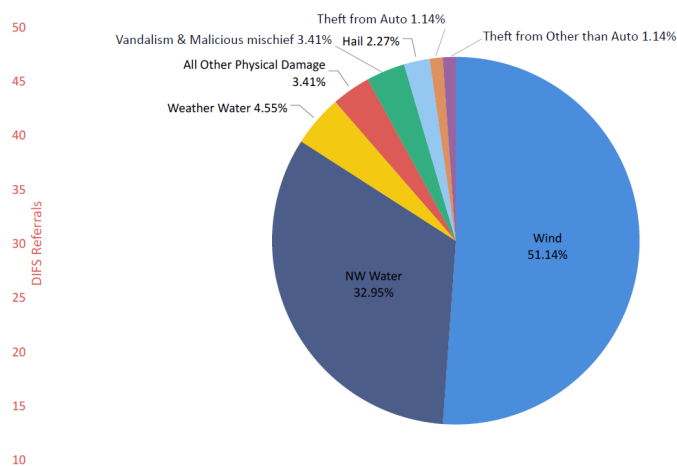
Special Investigations Unit (SIU)

Q4 2023 DIFS Referrals Vs. SIU Accepted & Completions

● SIU Accepted # ● SIU Completed — DIFS Referrals



Q4 2023 DIFS Referrals by Loss Type



Q4 2023

Investigations Accepted
by SIU

Investigations
Completed by SIU

SIU Investigations
Resulting in DIFS
Referral

DIFS Referral
Rate

CAT	68	85	40	47%
Non-CAT	272	265	48	18%
Total	340	350	88	25%

Overview

During the fourth quarter of 2023, Citizens' Special Investigations Unit (SIU) accepted 350 claims for investigation and submitted 88 referrals to the Florida Division of Investigative and Forensic Services (DIFS) in accordance with statutory requirements. Approximately 32% of claims investigated by the SIU and referred to the DIFS involve non-weather water claims. It is notable that 51% of the suspect claims investigated by SIU involve Wind events and of those, 76% are associated with Hurricane Ian which made landfall in Florida September 2022. Many wind claims are solicited directly by a third-party representative, including public adjusting firms and contractors. In some cases, claims are submitted without the knowledge of the policyholder.

Major Case Update

In November 2023, Florida's CFOs announced the arrest of four representatives of a Tampa-based roofing company for their alleged involvement and schematically causing damage to homeowner's roofs to file \$106,000 in fraudulent insurance claims to Citizens. The SIU investigation began three years ago into dozens of claims and established strong evidence, supported by expert's findings and video footage

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that the representatives of Castle Roofing were routinely creasing roofing shingles to mimic wind damage. A total of 32 referrals were submitted to the DIFS. No insureds were found to be complicit with the scheme.

Please refer to the attached press release issued by the Department of Financial Services (DFS) in collaboration with Citizens.

Cases of Interest

Osceola – Wind: In November 2023 we were made aware by DIFS that Citizens' insured was arrested in February 2023 for attempting to claim damage to her roof that pre-dated the policy issued by Citizens. The SIU investigation found the claim which was submitted within 2 months after the policy was reinstated with a lapse in coverage. Furthermore, the pre-purchase home inspection depicted loose and missing shingles at the time the property was purchased and confirmed that the hail damage pre-dated the policy reissued by Citizens. Subsequently, the claim was denied.

Miami-Dade – Non-weather water: An SIU investigation into a pipe leak claim revealed the public adjuster contrived the entire claim. There was no evidence to support the existence of a leak behind the wall at any time, and the insured was unaware of the existence of any leaks or water damage. The claim reserved at \$10,000 was denied for lack of damage from a covered peril, and a DIFS referral was submitted.

Sarasota – Non-weather water: An SIU investigation determined that the insured attempted to claim existing damage to the kitchen sustained from a prior loss in which the insured received payment from their prior carrier. The insured voluntarily withdrew the claim, and no payments were issued on the claim, reserved at \$2,500. A DIFS referral was submitted.

Miami-Dade – Wind: An SIU investigation into a Hurricane Ian claim determined that the claim was contrived by the public adjuster who, without the insured's knowledge, enlisted the services of a water mitigation firm that submitted forged documents. The claim was voluntarily withdrawn at the insured's request and the water mitigation firm withdrew \$12,000 in invoices.

Pinellas – Wind: After Citizens tendered \$35,000 indemnity for windstorm damage, an SIU investigation into a supplemental claim for contents determined that the insured attempted to claim water damage to furnishings, electronics, and clothing, which identically sustained damage from a prior loss submitted to her previous insurer. The supplemental claim was withdrawn and no payments for personal property were made.

Pinellas – Theft: An SIU investigation into a theft claim determined that the insured materially misrepresented the use of the risk and occupancy status by failing to disclose that it was used as a short-term rental. Citizens voided the policy to inception and no payments were issued on the claim.

Broward – Non-weather water: An SIU investigation into a claim submitted on behalf of an insured found that the two claims (AC leak and bathroom pipe break) were contrived by the public adjuster who inspected and set up water mitigation equipment in the insured's bathroom under the guise that he was authorized to complete repairs on a water leak originating in her unit that was affecting the unit below.

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Furthermore, there was no evidence that this was the case, and the insured was unaware that the public adjuster submitted two claims on her policy. The claims, reserved at a combined \$8,000, were invalidated and a DIFS referral was submitted.

Orange – Hail: An SIU investigation established the hail loss was contrived and the insured was previously indemnified twice for the roof damage by two previous insurers. The claim, reserved at \$5,000, was denied for pre-existing damage. A DIFS referral was submitted.

Osceola – Water: An SIU investigation into a plumbing leak determined the claim was contrived and the plumbing invoice fabricated. The loss reserved at \$10,000 was denied for inconsistencies and misrepresentation of facts surrounding the loss. A DIFS referral was submitted.

Osceola – Wind: An SIU investigation into a windstorm claim established that the insured previously reported the damage and was indemnified by the prior carrier. The claim reserved at \$5,000 was subsequently withdrawn by the insured. A referral to DIFS was submitted.

Saint Lucie – Wind: The SIU investigation into a windstorm claim found that the roofing contractor submitted the claim to Citizens without the policyholder's consent. The claim reserved for \$5,000 was withdrawn. A DIFS referral was submitted.

Broward – Personal Lines / Policyholder: Proactive investigative efforts revealed that a policyholder intentionally submitted a false Personal Lines insurance application by failing to disclose they owned and operated a sober home at the risk location and attempted to obtain liability coverage and \$487 in reduction of premium they were otherwise not entitled. As a result, the policy has been non-renewed, removing \$187,000 in exposure from Citizens. A DIFS referral was submitted against the insured for application misrepresentation.

Broward, Hillsborough, Miami-Dade, Palm Beach Counties – Personal Lines / Policyholder: Through proactive investigative efforts, SIU identified seven separate and unrelated policyholders submitted false personal lines insurance applications by failing to disclose they owned and operated Assisted Living Facilities at the risk locations and attempting to obtain liability coverage and obtain and estimated \$1,500 reductions in premium. As a result, the policies have been voided removing \$2.7M in exposure from Citizens. DIFS referrals were submitted for application misrepresentation.

Palm Beach County – Agency – Mishandling of Premium: After Citizens' appointed agent was arrested for insurance crimes related to mishandling of premium, Citizens provided additional evidence that the agent had mishandled approximately \$2,500 in premium due Citizens. As a result, the former agent faces additional charges, including misappropriation of insurance funds, and his license to conduct insurance business was suspended by DFS. His appointment with Citizens has been terminated for cause.

Press Release

Contact our Office of Communications
Communications@MyFloridaCFO.com | 850.413.2842

CFO Jimmy Patronis Announces Four Arrests in Tampa Roofing Fraud Scheme

12/1/2023

For Immediate Release: Friday, December 1, 2023

Contact: Office of Communications, Communications@MyFloridaCFO.com, 850.413.2842

CFO Jimmy Patronis Announces Four Arrests in Tampa Roofing Fraud Scheme

TAMPA, Fla. – Today, Chief Financial Officer (CFO) Jimmy Patronis announced the arrest of Paul Vautour, former Vice-President of Sales for Castle Roofing Company (Castle) and three other employees including Kiana Vautour, Robert Lusk Sr., and Robert Lusk Jr. for their alleged involvement in intentionally and schematically causing damage to homeowner's roofs to file fraudulent property insurance claims to Citizens Property Insurance Corporation (Citizens).

CFO Jimmy Patronis said, "There's no end to how low bad actors will go to try and get a piece of your insurance claim. Faking roof damage and inflating insurance claims is not only wrong, it's a driving cause behind the rise of home insurance premiums for every single Floridian. Homeowners must be on the lookout for fraudsters like these trying to make a quick buck, especially following a storm. Thank you to my dedicated insurance fraud detectives, the Pasco County Sheriff's Office, Citizens Property Insurance, and to the Attorney General's Office for bringing this fraudster in to face justice."

Citizens President/CEO and Executive Director Tim Cerio said, "Fraud drives insurance rates up and harms all Florida policyholders. Citizens thanks, and will continue to assist, DFS investigators and local prosecutors as they go after these unscrupulous contractors."

An investigation by the CFO's Division of Investigative and Forensic Services (DIFS) revealed that between September 2019 and October 2020, Paul Vautour and other Castle employees conducted a systematic and ongoing course of business practices to defraud insurance companies and homeowners. Citizens became suspicious of claims filed by Castle and began an internal review of all their claims. Citizens' internal investigation of supposed weather-related roofing claims submitted by Castle employees had revealed a pattern of damage that was consistent with man-made manipulation of roof coverings. In addition, video footage was obtained of Castle employees causing damages to roofs that were later presented as wind damage. Based on this information DIFS conducted an independent criminal investigation. The investigation revealed that Paul Vautour was allegedly training Castle employees to fabricate roof damage to facilitate fraudulent roof claims.

Paul Vautour, Kiana Vautour, and Robert Lusk Jr. were arrested on November 30 and booked into the Pinellas County Jail. Robert Lusk Sr. was arrested on November 30 and booked into the Pasco County Jail. Charges include Grant Theft, Criminal Use of Personal ID, Aggravated White Collar Crime, and Insurance Fraud. This case will be prosecuted by the Attorney General's Office of Statewide Prosecution.

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