

2020



FRAUD INVESTIGATION UNIT

Annual Report



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Introduction

The Department of Insurance and Financial Services (DIFS) is the State of Michigan executive agency responsible for regulating Michigan's insurance and financial services industries including consumer finance companies, state-chartered banks and credit unions, insurance companies and insurance agencies. The Fraud Investigation Unit (FIU) is a criminal justice agency within DIFS. The FIU was established on September 11, 2018 by Executive Order 2018-9 and in June 2019 its existence was formally codified into state law through enactment of Chapter 63 of the Michigan Insurance Code, MCL 500.6301-6304. The FIU is dedicated to the prevention of criminal and fraudulent activities in the insurance and financial services markets. The FIU is charged with the analysis and investigation of complaints alleging fraudulent activities in Michigan's insurance and financial services markets and coordinating DIFS' investigative efforts with other law enforcement agencies at the local, state and federal levels.

Fraud perpetrated in the insurance and financial services industries affects everyone and costs Americans billions of dollars every year. Studies show that for every dollar of fraud, businesses incur \$2.92 in costs. Insurance fraud increases the cost of everything you buy and use. How? Consider the following scenario: Every company providing goods or services pays for insurance as a cost of doing business. As a result of insurance fraud, the insurance company must raise rates charged to consumers and businesses. To cover the increased cost of its insurance, Michigan businesses must charge consumers more for goods and services.

This Annual Report is prepared and published pursuant to Section 6303 of the Michigan Insurance Code, MCL 500.6303, to provide the Michigan Legislature with an annual update on the FIU's efforts to prevent insurance fraud in Michigan.

Establishment

Beginning in September 2018, DIFS used available staff to begin the process of establishing the FIU. Senior Deputy Director Randall S. Gregg was charged with overseeing the establishment of the FIU. At that time, no funding was provided in DIFS' annual budget for staffing the FIU. However, initially, 2 full-time equivalent (FTEs) positions were re-assigned from other roles within DIFS to work as FIU analysts. The analysts were assigned to review fraud complaints and develop a process for compiling all fraud complaints into a workable database. In February 2019, a Manager for the FIU was hired using a DIFS' unclassified position.

In early 2019, DIFS also executed memorandums of understanding with the Michigan Attorney General's Office to provide investigation and prosecution services to the FIU.

After the Michigan Civil Service Commission approved new job classifications for FIU technicians, analysts, and investigators, further hiring of FIU staff was conducted in the spring and summer of 2019. By the end of summer 2019, the FIU was comprised of 1 technician, 2 analysts, 2 investigators and 1 manager. In October 2019, the Michigan Legislature appropriated funding to staff the FIU for up to 12 positions. In early 2020, a new manager was hired to supervise the FIU. Then in May 2020, additional investigators were hired. Currently, the FIU is comprised of 1 technician, 2 analysts, 4 investigators, and 1 manager. At this time, all State of Michigan executive



agencies are subject to a hiring freeze due to the fiscal impacts of the COVID-19 pandemic, so additional hiring will be conducted based upon approval from the State Budget Office.

On March 26, 2020, the Michigan Insurance Fraud Taskforce (Taskforce) was officially formed through a memorandum of understanding between the FIU, the Michigan State Police and the Michigan Attorney General. The goal of the Taskforce is to promote coordination and cooperation between the three member agencies and other law enforcement agencies regarding the investigation and prosecution of insurance fraud in Michigan. The first Taskforce meeting was held on June 15, 2020.

Fraud Complaints

The FIU receives fraud complaints through the DIFS' on-line fraud complaint portal at www.Michigan.gov/ReportFraud2DIFS. The FIU also accesses the National Association of Insurance Commissioners (NAIC) Online Fraud Reporting System (OFRS) to obtain Michigan insurance fraud reports. Fraud complaints can also be submitted through DIFS' toll-free number 877-999-6442 or by emailing the FIU at DIFS-Antifraud@michigan.gov.

The FIU receives fraud complaints from six major sources:

- The general public,
- Consumer victims,
- Insurance companies,
- Financial service companies,
- Law enforcement agencies, and
- Other governmental agencies.

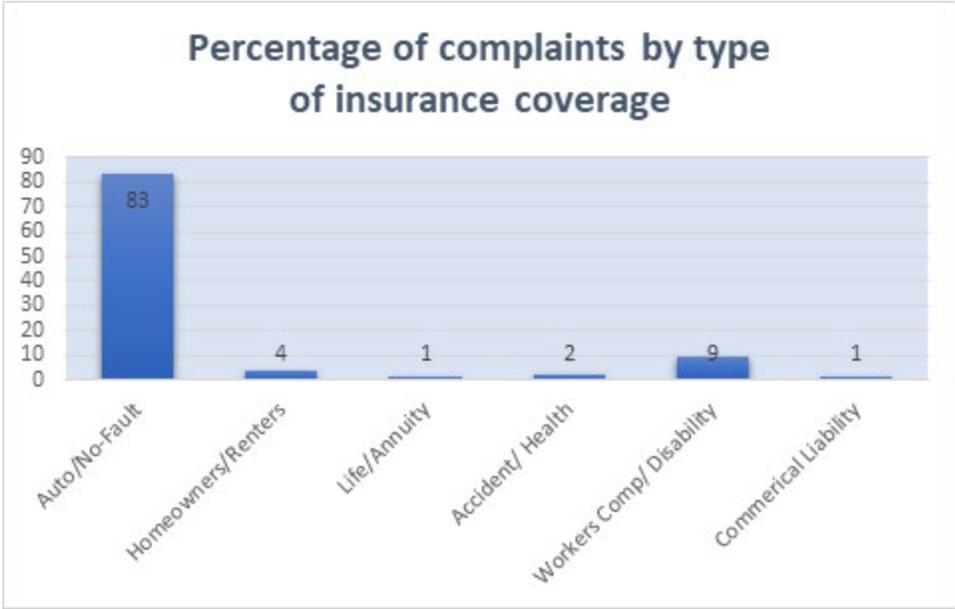
The subject of each fraud complaint varies from individuals to businesses suspected of committing fraud. Each incoming complaint is carefully reviewed to determine whether the information submitted is adequate for the FIU to initiate a criminal investigation.

The following statistics represent the work performed by the FIU staff from September 11, 2018 through June 30, 2020:

Complaints received	8,046
Closed after initial screening	5,515
Opened for investigation by the FIU	2,531
Closed after initial investigation	1,023
Currently open	1,053
Referred for DIFS regulatory action	103
Complaints referred to law enforcement	*352

(*352 complaints representing 52 total cases)

The FIU investigates criminal and fraudulent activities in the insurance and financial services markets. However, it receives fraud complaints primarily related to the insurance markets. In fact, over 99% of the fraud complaints received by the FIU are related to the insurance markets. The following chart shows the percentage of insurance fraud complaints received by type of insurance coverage.



Fraud Investigations

After gathering evidence and completing its investigation, the FIU refers the case for criminal prosecution by local law enforcement agencies, the Michigan Attorney General, or federal law enforcement.

From September 11, 2018 to June 30, 2020, FIU investigations resulted in the following:

Cases referred for criminal investigation by law enforcement	*52
Cases returned to FIU/recommended closure	1
Cases still under prosecution review	41
Investigations closed by filing charges	10
Individuals charged	9
Convictions	3
Trials pending	4

(*52 cases representing 352 complaints)

Criminal Referrals

The FIU was involved as the primary investigating agency or assisted law enforcement in the investigation of the fraud complaints summarized below. Some of these investigations and subsequent criminal referrals have resulted in criminal charges, or convictions through trial or plea agreement.

Emmanuel Palmer

Emmanuel Palmer (Palmer) scammed the auto insurance system back in May 2015, when an ambulance taking him to the hospital for a health condition was involved in a minor accident. The accident was so minor that the ambulance was still able to take him to the hospital after local police took a report. Despite his claims of serious injury, both paramedics saw him get out of bed and walk around after the accident.



During the progression of his claim for no-fault benefits, an internal investigation from the insurance company revealed Palmer had been falsifying documents to receive no-fault benefits.

The case was initially investigated by the DIFS' FIU and then referred to the Michigan Attorney General's office for criminal charges.

In October 2019, Palmer pleaded guilty to one count of False Pretenses (more than \$1,000 but less than \$2,000) and one count of Insurance Fraud. He was sentenced to four years' probation and ordered to pay \$40,387 in restitution. Palmer was also ordered to pay court costs and fees and serve 150 hours of community service.

Angella Swain-Jones

Angella Swain-Jones (Swain) was a licensed insurance agent in Michigan beginning in 2002 and operated Swain Insurance until 2013, when DIFS suspended her license for failing to remit premiums to insurance companies. Also, in 2013, Swain's ex-husband Cornell Jones began operating Select Insurance Services (Select), and Swain allegedly sold fraudulent insurance through Select. DIFS permanently revoked Swain's license in 2014 and Jones' license in 2016.

DIFS' investigation determined that between 2011 and 2016 at least 20 victims paid either Swain Insurance or Select for homeowners and auto insurance but never received coverage, and some victims did not discover they lacked insurance until they were in a car accident and tried to make an insurance claim.

The investigation found that Swain allegedly pocketed some of her client's insurance premiums instead of remitting them to the insurance companies. Swain then issued clients false insurance certificates, leading them to believe they had insurance coverage when they did not.

On October 30, 2018, the Michigan Attorney General filed 13 felony charges against Swain for allegedly selling fraudulent insurance to customers as follows:

- 1 Count of Conducting a Criminal Enterprise, a felony punishable by up to 20 years in prison;
- 11 Counts of Embezzlement by an Agent of more than \$1,000 but less than \$20,000, a felony punishable by up to five years in prison; and
- 1 Count of Using a Computer to Commit a Crime, a felony punishable by up to 20 years in prison.

As of June 30, 2020, this criminal case is still pending trial.



Stephanie Joyce-Bennett Beauford

On January 17, 2020, Stephanie Joyce-Bennett Beauford (Beauford) pleaded guilty to Embezzlement from a Vulnerable Adult. The guilty plea followed charges filed against her in December 2019 for withdrawing a total of \$24,000 from the account of a 92-year-old customer of Michigan First Credit Union, Beauford's former employer.

The DIFS' Office of Credit Unions and FIU investigated the embezzlement in 2018. The issue came to DIFS' attention following a complaint submitted by the victim's family. DIFS' investigation discovered irregularities with the customer's bank accounts and the case was referred to the Michigan Attorney General for criminal prosecution.

After paying \$24,000 in restitution, Beauford pleaded guilty to one count of Embezzlement from a Vulnerable Adult \$1,000 to \$20,000, a 5-year felony.

Robert Pontoo

Greater Christ Baptist Church Credit Union CEO, Robert Pontoo, was sentenced on February 25, 2020 to 30 days in Wayne County jail and two years' probation after pleading guilty for the embezzlement of approximately \$90,000 from the credit union. Pontoo was also ordered to pay restitution. Pontoo's embezzlement forced the credit union into insolvency and ultimate closure.

Benjamin and Amelia Behnke

Felony charges were filed on September 11, 2019, against Benjamin Behnke and Amelia Behnke. Benjamin Behnke was charged with two counts of Insurance Fraud and one count of False Pretenses and Amelia Behnke was charged with four counts of Insurance Fraud and three counts of False Pretenses.

In June of 2013, Benjamin and Amelia Behnke's son, Gino Behnke, was seriously injured in a vehicle accident in which he suffered, among other injuries, a traumatic brain injury. Gino's attending physician wrote prescriptions for 24-hour per day attendant care services. The Behnke's claimed 24-hour attendant care for Gino since the accident. The Behnke's claimed that Amelia was providing the attendant care to Gino from 7am to 7pm and that Benjamin provided the attendant care from 7pm to 7am each day, as Mr. Behnke worked fulltime as a car salesman.

An investigation by the Michigan State Police in 2016, showed Gino was in California for an extended time in June 2016 without his parents and that the parents were in fact in Las Vegas for a short time. It was also determined that Amelia Behnke was enrolled full-time in barber school from 8am-5pm Monday through Friday beginning March 2016. Both Mr. and Mrs. Behnke submitted attendant care forms to National General for the month of June 2016 requesting a total of \$10,537.50 in attendant care payments and claiming that they had provided attendant care to Gino every day that month. During the months of March, April, and May of 2016, Amelia Behnke was paid a total of \$15,498.75 for attendant care when she could not have been providing care to him while she was attending school.

As of June 30, 2020, this criminal case is still pending trial.



Insurance Fraud Awareness Campaign

DIFS has conducted outreach efforts to create public awareness that insurance fraud is not a victimless crime, but rather affects everyone through higher premiums and that those who engage in fraud can be subject to criminal penalties. The FIU's Insurance Fraud Awareness Campaign also informed Michigan residents and businesses about the importance of reporting suspected fraudulent activities to the FIU.

DIFS' Insurance Fraud Awareness Campaign was conducted November 17 through November 24, 2019. Based on overall analytics, the campaign did well with just over 62,000 impressions and just under 7,000 people reached on Facebook.

Billboards

DIFS purchased space on seven Blip Billboards across the state. Through the billboards, DIFS received 52,676 impressions (number of times the billboard was seen). The ad was shown a total 15,939 times.

Social Media

DIFS purchased ads on Facebook, primarily focused within 25 miles of Detroit. Through social media, DIFS was able to reach 6,956 people. DIFS did not pay for ads on Twitter, but through organic reach, earned 10,020 impressions on tweets about fraud.

Public Service Announcement (PSA)

DIFS' Office of Communications produced, recorded and distributed two radio PSAs. The PSAs are available for download on the Michigan Association of Broadcasters website.

Secretary of State Branch Offices

Since June of 2019, DIFS has had two separate PSAs running on the TV monitors in all 131 Secretary of State (SOS) branches.



