



Commerce Fraud Bureau Annual Report

2022

Minnesota Department of Commerce
Commerce Fraud Bureau
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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.

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Pursuant to Minnesota Statute § 3.197: This report cost approximately \$5,547.00 to prepare, including staff time.

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 a statutorily authorized law enforcement agency, 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.

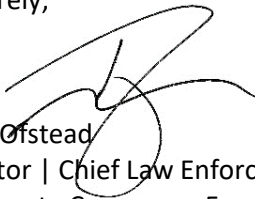
In 2022, the CFB fielded 2,890 case referrals. CFB criminal investigations resulted in criminal complaints of individuals who were responsible for committing crimes that had an economic impact on Minnesotans totaling \$32,736,447.76.

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. 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 work of the CFB 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 \$32,736,447.76 in 2022.
- There were 2,890 incoming case referrals to the CFB in 2022.
- The five largest areas of suspected fraud reported to the CFB during 2022 were:
 - Automobile Insurance
 - Homeowners Insurance
 - Workers’ Compensation Insurance
 - Health Care Insurance
 - Commercial Insurance

COMMERCE FRAUD BUREAU

INTRODUCTION

The Commerce Fraud Bureau 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 times, 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 support 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 premiums, cyber-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 MN 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 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. According to the Coalition Against Insurance Fraud, in 2022, the CFB was the nation's 6th largest law enforcement agency tasked with investigating insurance fraud.

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 enhances the effectiveness of other law enforcement agencies throughout the State. This is accomplished by consulting on investigations, training, and collaboration, and CFB agents acting as ‘force multiplier’ for agencies in fraud investigations. Due to the lean, agile operating principles it employs, the CFB is positioned to deploy significant assistance efficiently, 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

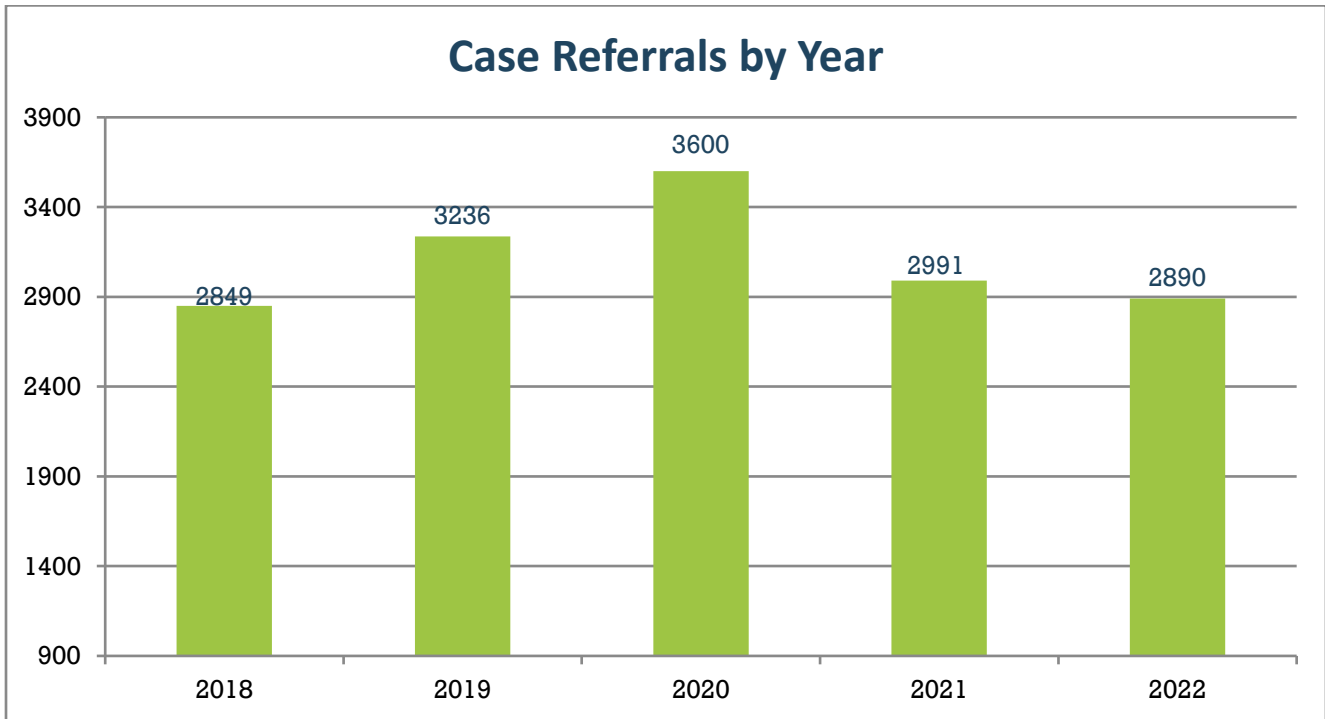
INVESTIGATIVE REQUESTS

Cases for investigation are referred to the CFB from four (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.

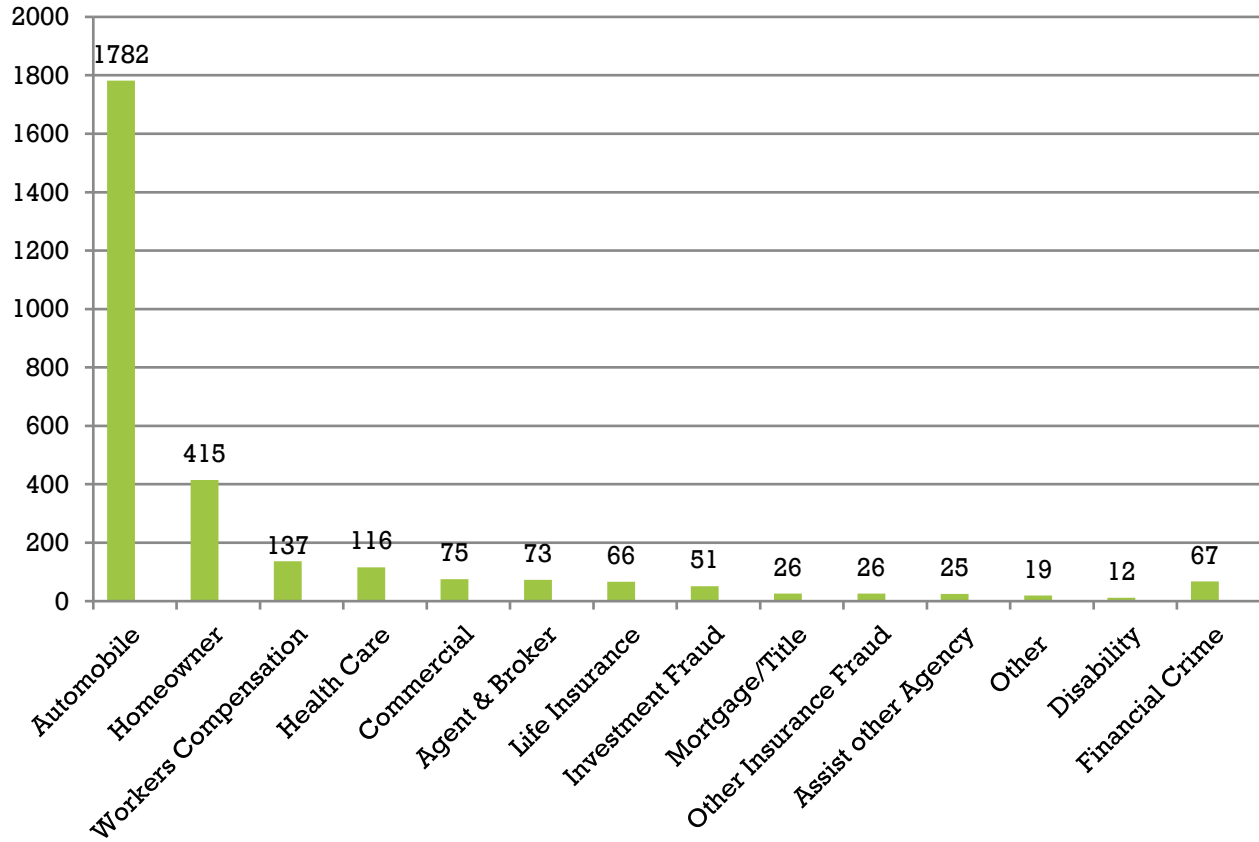


TYPE OF FRAUD CASES

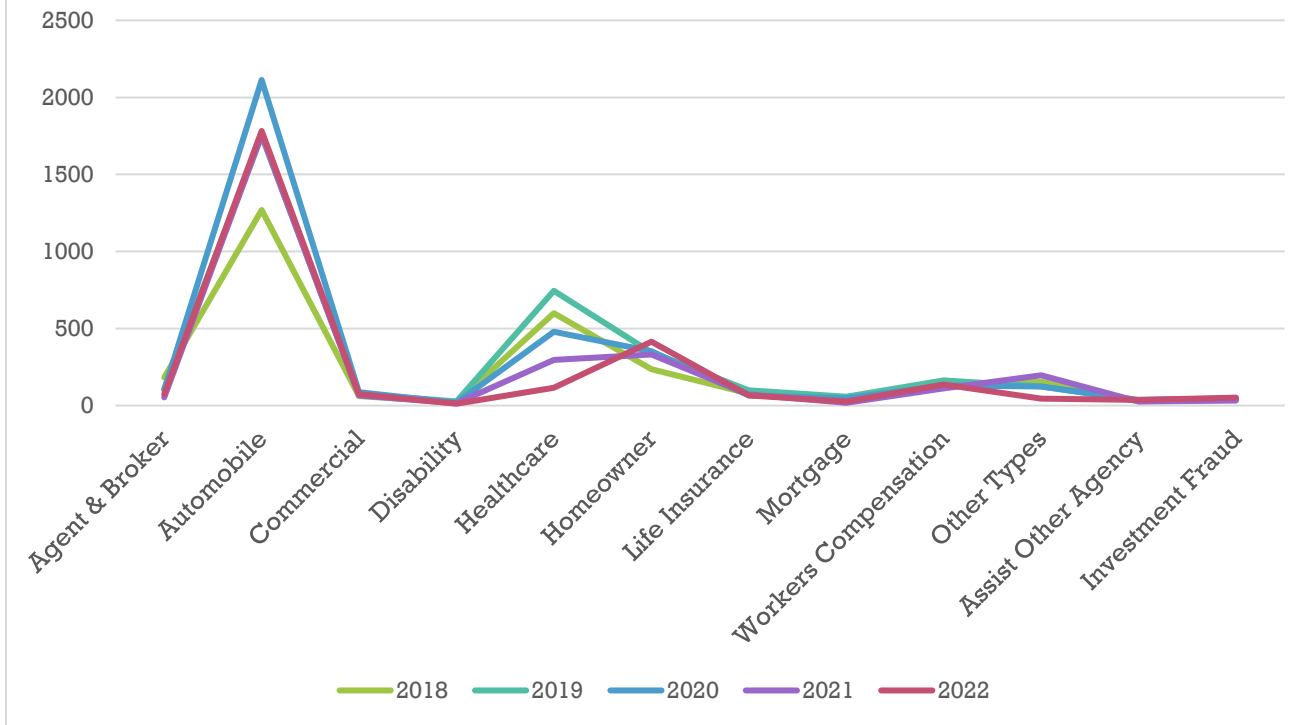
The five largest areas of suspected fraud reported to the Bureau during 2022 were:

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

2022 Incoming Referrals By Type of Fraud



CFB 5 Year Trend By Referral Type



<i>Referral Type</i>	2018	2019	2020	2021	2022
<i>Agent & Broker</i>	181	110	101	53	73
<i>Automobile</i>	1269	1750	2113	1731	1782
<i>Commercial</i>	61	73	86	64	74
<i>Disability</i>	21	27	18	16	12
<i>Healthcare</i>	599	745	478	300	116
<i>Homeowner</i>	237	345	353	341	415
<i>Life Insurance</i>	79	99	65	72	66
<i>Mortgage</i>	52	58	46	18	26
<i>Workers Compensation</i>	129	163	131	122	137
<i>Other Types</i>	155	124	124	197	45
<i>Assist Other Agency</i>	28	30	36	41	36
<i>Investment Fraud</i>	38	40	46	37	30

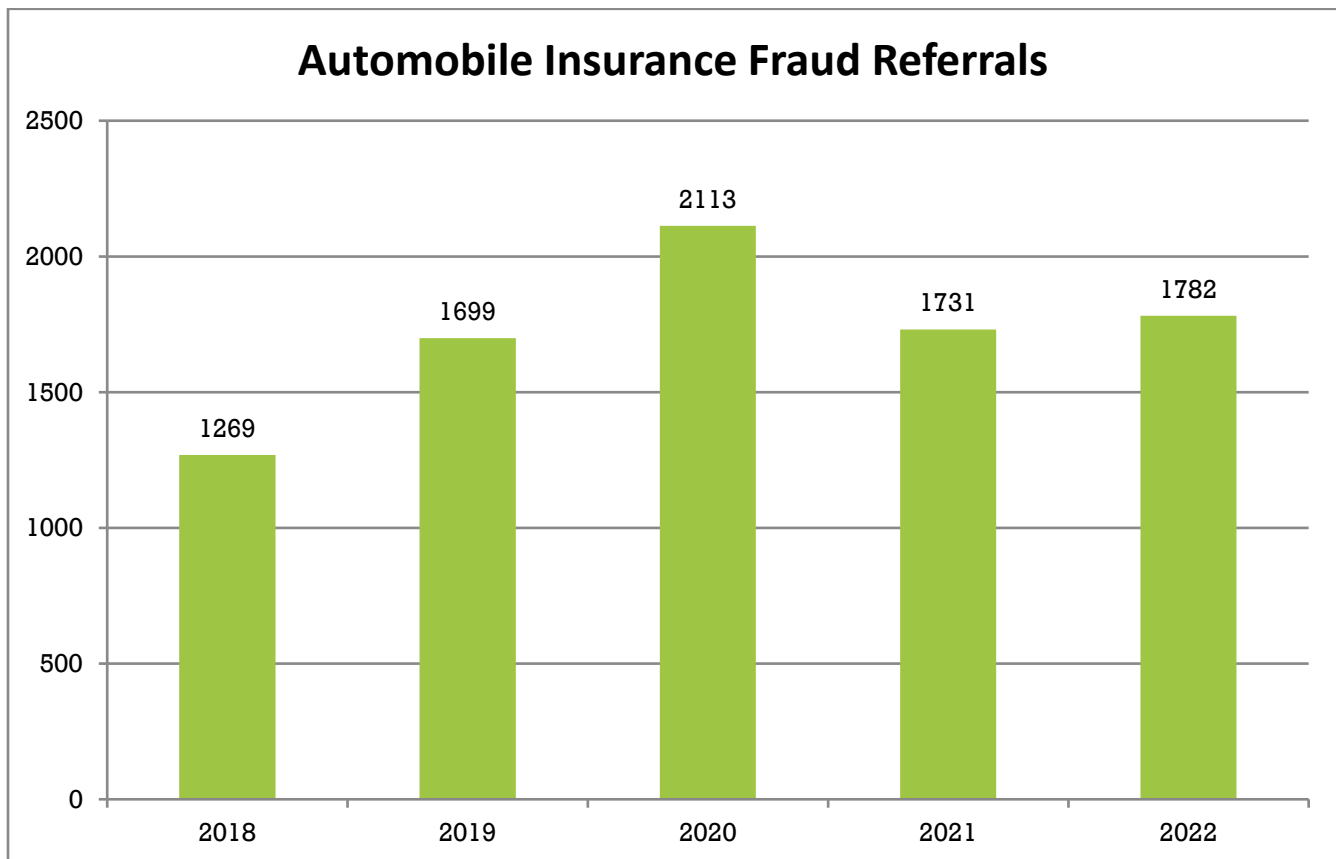
AUTO INSURANCE FRAUD

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
- 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.



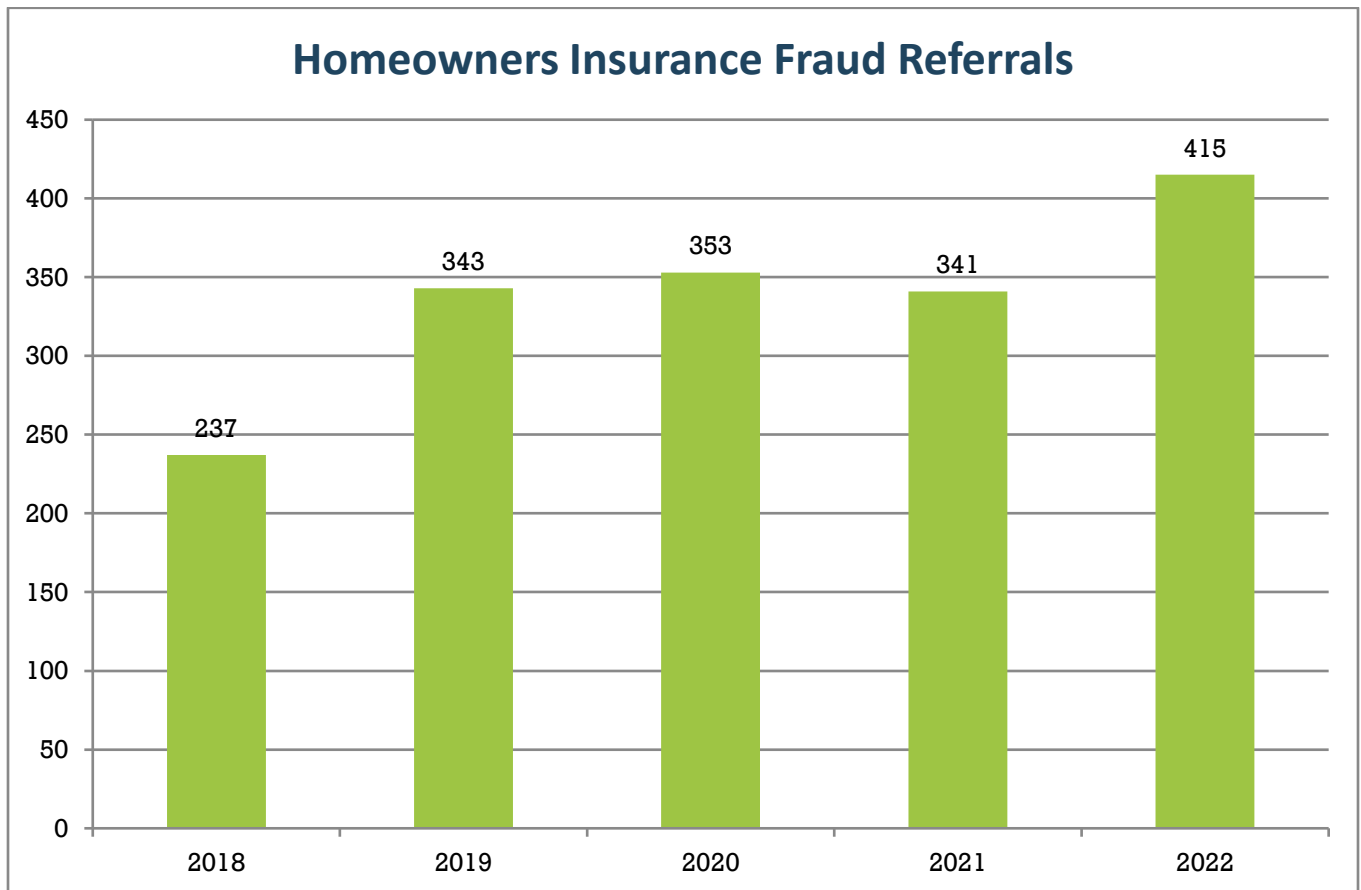
HOMEOWNERS INSURANCE FRAUD

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.



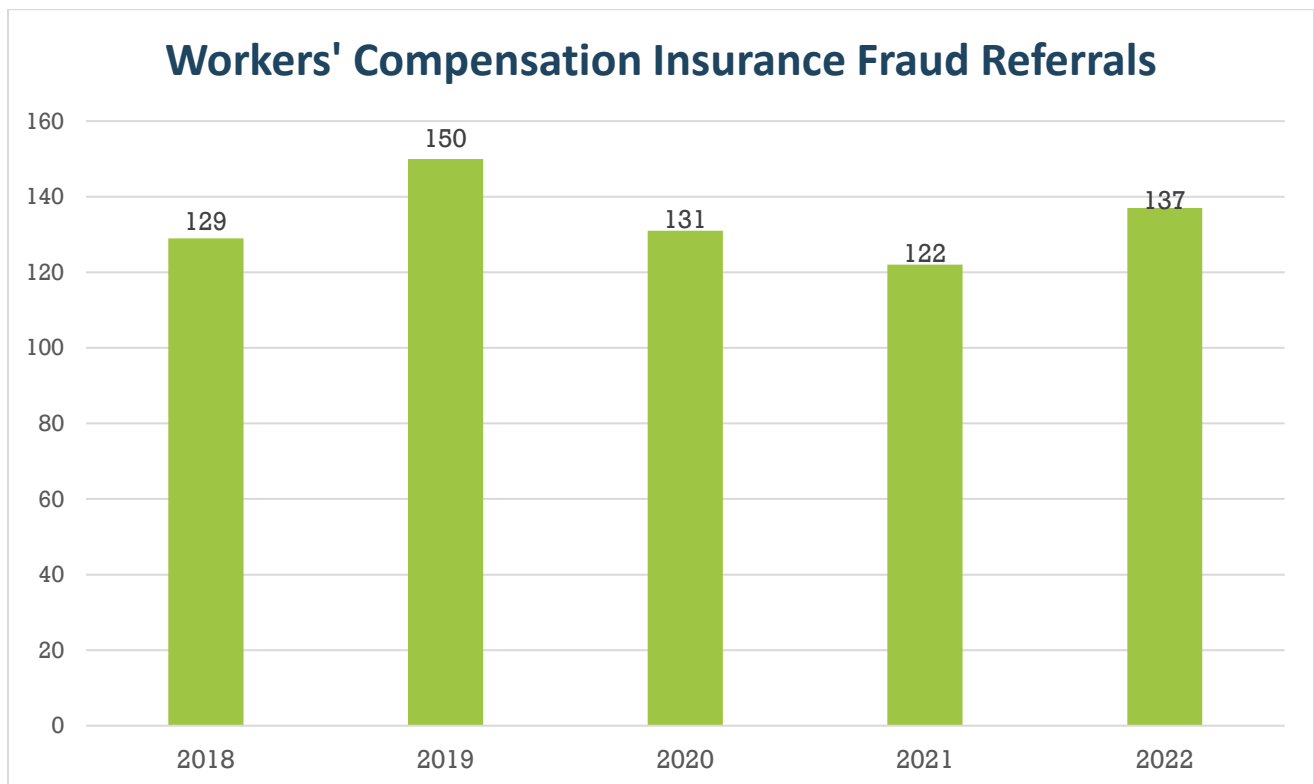
WORKERS' COMPENSATION INSURANCE FRAUD

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.



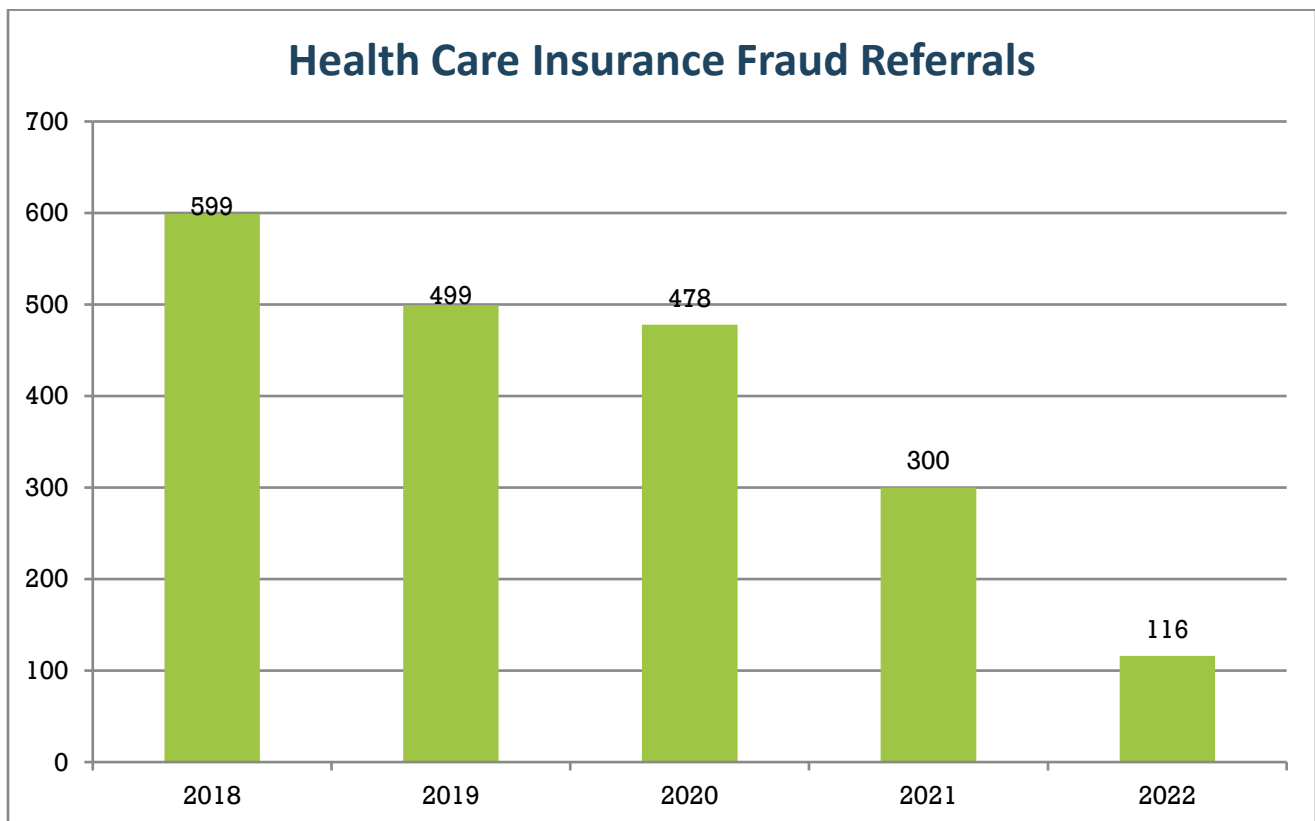
HEALTH CARE INSURANCE FRAUD

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.



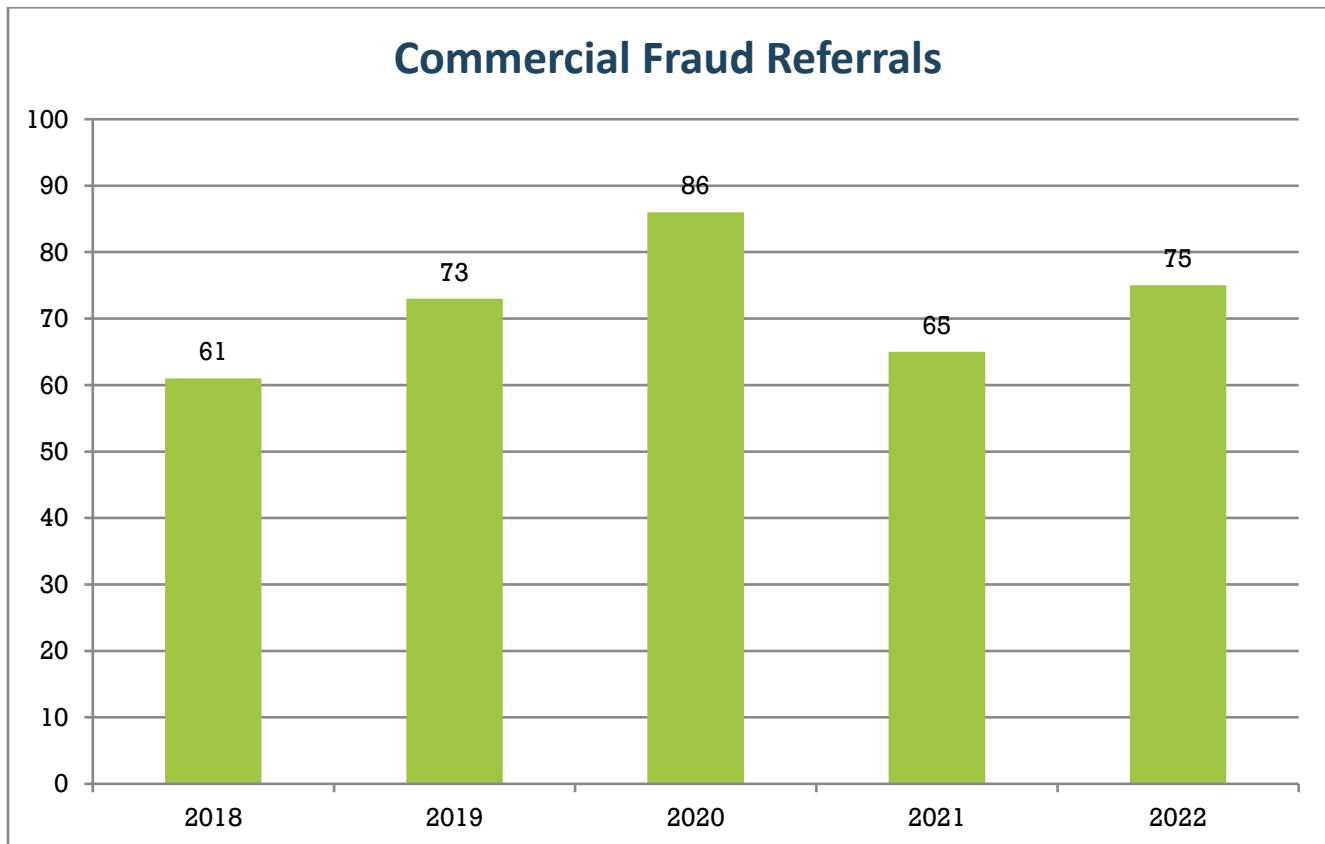
COMMERCIAL FRAUD

Commercial insurance fraud may be attempted in many ways.

For example:

- Slip and Fall schemes
- Employee embezzlement
- Asset diversion
- Internal fraud schemes

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



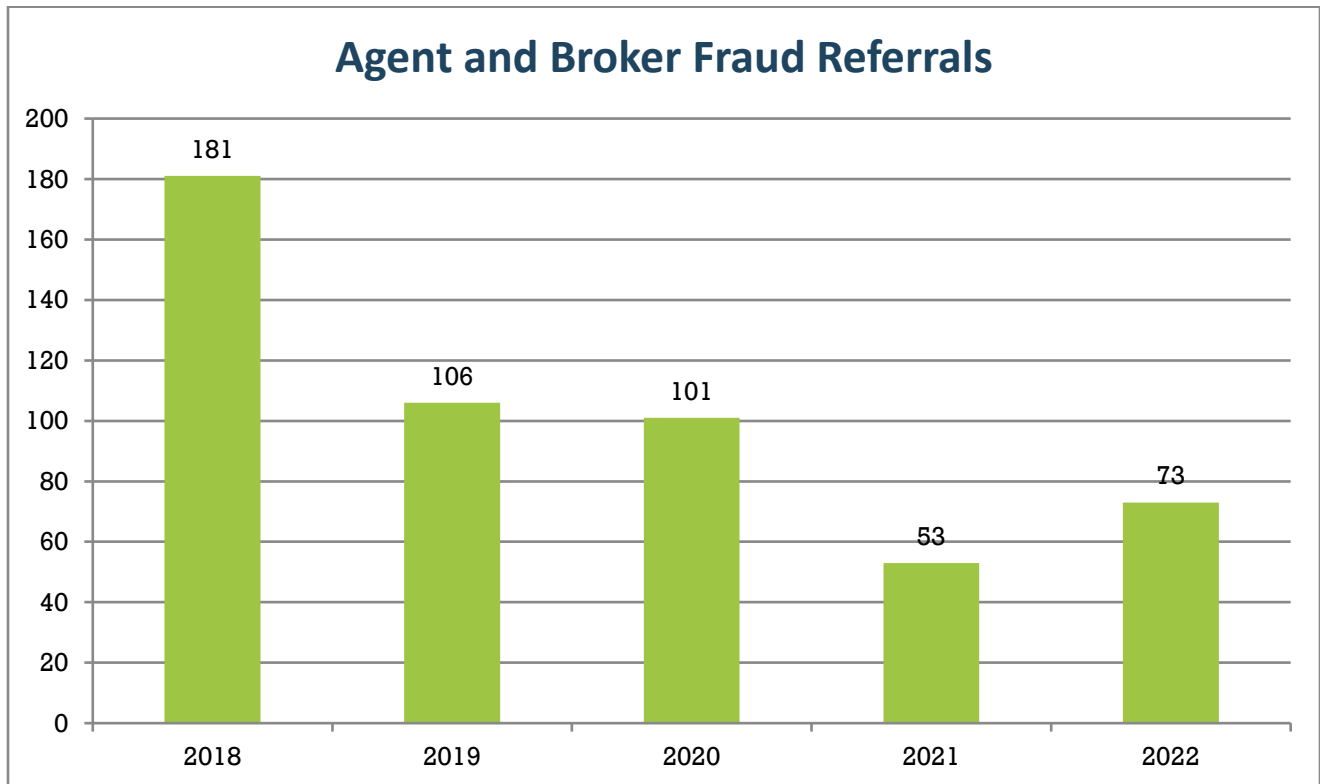
AGENT AND BROKER FRAUD

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.

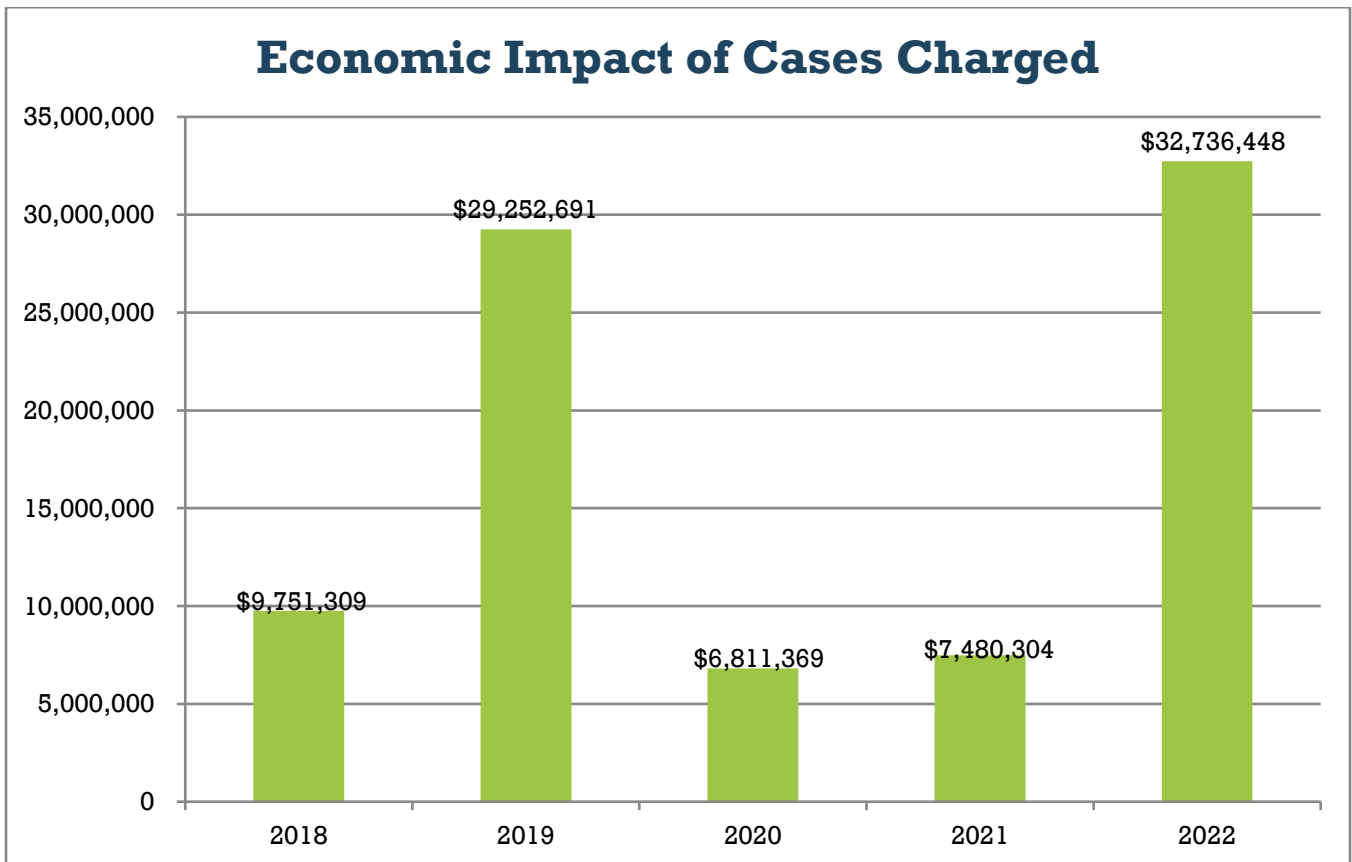


ECONOMIC IMPACT

In 2022, Commerce Fraud Bureau investigations resulted in the filing of criminal charges with an economic impact of \$32,736,447.76.

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 2022, reflects charges that were obtain in 2022 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.



OUTREACH AND PREVENTION

The CFB conducted training seminars for law enforcement partners, the United States Attorney's Office, financial institutions, insurance companies, industry groups and educational institutions. CFB personnel were engaged in education and training across a wide spectrum of audience members throughout the state of Minnesota and beyond.

TASK FORCE OFFICER PROGRAM

During 2022, the CFB continued its partnerships with multiple federal agencies and their respective Task Force Officer (TFO) programs. This program enables several CFB agents to be cross designated as a Federal Law Enforcement Officer, which allows the agents access to various federal law enforcement data systems, personnel, and other resources. This gives the CFB additional expertise and competency in conducting complex criminal investigations. Participation in this program continues to elevate the CFB in the eyes of Minnesotans and law enforcement peers.

The CFB currently holds TFO positions with the following federal entities:

- Drug Enforcement Agencies
- Homeland Security Investigations
- US Postal Inspection Service
- US Secret Service

BEHIND THE SCENES

The CFB is one of the largest white-collar crime investigative units in the nation. CFB investigations combat those who seek to scam and defraud Minnesotans. The information below summarizes key information about the CFB. During 2022, the CFB was staffed by twenty-two (22) professionals: a director (Chief Law Enforcement Officer), three (3) supervisory special agents, thirteen (13) special agents, two (2) senior analysts, and three (3) analysts.

MAJOR CASE HIGHLIGHTS

Business Email Compromise (BEC)

In 2022, the CFB significantly contributed to an investigation where the U.S. Department of Justice charged 10 defendants in multiple states in connection with multiple business email compromise (BEC), money laundering, and wire fraud schemes that targeted Medicare, state Medicaid programs, private health insurers, and numerous other victims that resulted in more than \$11.1 million in total losses.

The charges stemmed, primarily, from BEC schemes in which individuals posing as business partners were alleged to have fraudulently diverted money from multiple victims' bank accounts into accounts they or co-conspirators controlled (sometimes using recruited "money mules") by using spoofed email addresses, bank account takeovers, and similar fraudulent methods designed to deceive victims into believing they were making legitimate payments.

You can read the U.S. Department of Justice press release regarding this case here: [10 Charged in Business Email Compromise and Money Laundering Schemes Targeting Medicare, Medicaid, and Other Victims](#)¹

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 special investigation unit over suspected insurance fraud related to the intentional removal of catalytic converter to sell illicitly and replace 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.

Arrests, searches, and seizures took place in Minnesota, California, Oklahoma, Wyoming, New Jersey, New York, Nevada, North Carolina, and Virginia. In total, 21 individuals in five states were arrested and/or charged for their roles in the criminal activity and conspiracy.

The 21 defendants were charged following extensive law enforcement arrest and search operations. Over 32 search warrants were executed, and law enforcement seized millions of dollars in assets, including homes, bank accounts, cash, and luxury vehicles.

You can read the U.S. Department of Justice press release regarding this case here: [Justice Department Announces Takedown of Nationwide Catalytic Converter Theft Ring](#)²

¹ <https://www.justice.gov/opa/pr/10-charged-business-email-compromise-and-money-laundering-schemes-targeting-medicare-medicaid>

² <https://www.justice.gov/opa/pr/justice-department-announces-takedown-nationwide-catalytic-converter-theft-ring>

Learn more about the Commerce Fraud Bureau

If you are interested in learning more about the Commerce Fraud Bureau please visit us at mn.gov/commercefraudbureau

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.