

INSURANCE FRAUD STILL GROWING

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LAW AND ETHICS

Law and ethics are intertwined. Knowing the law will help steer the insurance professional in the right direction. Knowing the business of insurance will steer the insurance professional away from negligent acts and into profitable relationships. Ethics may be defined as a system of moral principals or values. What is not so easily discerned is the correct ethical approach to a particular situation.

Big question how do we get others to understand this?

INSURANCE FRAUD DEFINED

- **Insurance fraud is a deliberate deception perpetrated against or by an insurance company or an agent for the purpose of financial gain. Such illegal acts may be committed by applicants, policyholders, third-party claimants and even the insurance brokers and providers themselves.**

“HARD FRAUD” VS. “SOFT FRAUD”

- **Deliberately faking an accident, injury, theft, arson or other loss to collect money illegally from insurance companies**
- **Far more common than hard fraud – sometimes also referred to as opportunistic fraud. Normally honest people telling “little white lies”.**

PREMIUM DIVERSION



- **This occurs when an insurance agent or broker keeps policyholders' premiums instead of sending them to the insurance carrier. Other types of diversion schemes are selling insurance without a license and collecting premiums and not paying claims.**

FRAUD

- **Conservatively, fraud steals \$308.6 billion a year across all lines of insurance.**

(The number was \$80B a year from 1995 until 2022 – why?)



2022 FINAL ESTIMATE OF THE COST OF INSURANCE FRAUD IN THE UNITED STATES

• Property & Casualty	\$45B	• Medicare & Medicaid Fraud	\$68.7B
• Workers' Compensation	\$34B	• Life	\$74.7B
• \$9B from premium fraud		• Disability	\$7.4B
• \$25B in claims fraud		• Auto Theft	\$7.4B
• Premium Avoidance	\$35.1B		
• Healthcare	\$36.3B		

FRAUD

- **Property-casualty fraud equals about \$45 billion each year according to the FBI**
 - **Property & Casualty - \$45B**
 - **Workers' comp - \$34B**
 - **Healthcare - \$36.3B**



JUST HOW MUCH DOES IT COST YOU?



- **Insurance fraud costs the average U.S. family between \$400 and \$700 per year**
- **This amounts to over \$40B per year**

PUBLIC ATTITUDES TOWARD FRAUD

- **Public attitudes have sometimes hampered insurers in their fight against fraud. Studies show that some insurance fraud committed by consumers is driven by revenge or retaliation.**
- **“Get a return”**
- **“Get their money’s worth”**



WHO COMMITS INSURANCE FRAUD?

- **Organized criminals who steal large sums through fraudulent business activities**
- **Professionals and technicians who inflate service costs or charge for services not rendered**
- **Ordinary people who want to cover their deductible or view filing claims as an opportunity to make a little money**

TYPES OF CLAIMS

- **Padded or exaggerated claims**
- **Concealing facts**
- **Falsifying or altering records**
- **Lying**
- **Increasing the value of destroyed property**
- **Overstating the value of the salvage**

TYPES OF CLAIMS

- **Increasing the number of damage items**
- **Adding medical charges**
- **Pricing separately medical services**
- **Upcoding services billing for brand-name drugs when generic were given**
- **Malingering**
- **Faking claims**

TYPES OF CLAIMS

- **Caused accidents**
- **Non-existent property**
- **Substituted property**
- **Accidents that never happened**
- **Arson**



RED FLAGS? WARNING SIGNS?

TIME

Over the week-end

At the beginning of the policy

**Right after increasing the
limit**

**Shortly after coverage was
broadened by endorsement**

CONDITIONS

“What if this were to happen”

**Did not quite happen the way
it was told**

**“Try to avoid the adjuster” if
you can trick**

**The fact that no one else
knows anything about the
loss**

THE PURCHASER

Stranger off the street

Misrepresented themselves

RED FLAGS? WARNING SIGNS

SELF OR UNEMPLOYED

Money issues

Pending layoff

Pending strike

Possible firing

**Contemplating filing
bankruptcy**

ATTITUDE

Exaggeration of the facts

**Striving to make people
believe them**

Signs of aggression

**Seems to be concerned about
having to answer questions
under oath**

BURGLARY & THEFT

**Claim is mostly for scheduled
items**

No police report made

Delay in reporting to police

**List on the loss report does
not match list on police
report**

RED FLAGS? WARNING SIGNS?

AUTO FRAUD

Owes too much on vehicle

Behind in car payments

Vehicle was stripped

Trunk & glove box empty

**Physical damage added
shortly before loss**

Injuries are subjective

WORKERS COMP FRAUD

**Employee didn't report the
injury or illness in a timely
manner**

No witnesses to the incident

**Injury coincides with a
change in employment status**

**Employee has a history of
claims**

SLIP & FALL

Witness is too enthusiastic

**Refuses diagnostic
procedure to confirm injury**

THE ROLE OF TECHNOLOGY -NAIC

Technology is playing a bigger role in addressing fraud, as insurers rely less on traditional methods such as business rules and red flags, and more on predictive modeling, link analysis, and artificial intelligence. According to a 2021 white paper issued by the coalition against insurance fraud, nearly all respondents indicated they were utilizing anti-fraud technology to flag potential fraudulent claims. Fraud technology has the most impact in property claims and personal auto, but has been increasing particularly in the detection of property fraud compared to earlier years.

LAST BUT NOT LEAST

**The well-known claimant's
attorney, whose list of
clients is the who's who of
questionable claims.**



ANTI-FRAUD EFFORTS

Since fraud has probably been around since the first insurance policy was written. Today companies, media, businesses, associations and government agencies are coming together to fight fraud.



ANTI-FRAUD EFFORTS

- **Every state and the District of Columbia have enacted laws that classify fraud as a crime at least for some lines of insurance and have instituted immunity for reporting insurance fraud.**
- **Federal law does not distinctly address insurance fraud. Instead, it is encompassed by the violent crime control and law endorsement act (1994), giving the federal government jurisdiction over insurance fraud when it affects interstate commerce.**
- **Most states and the District of Columbia have a fraud bureau dealing with multiple lines of insurance, solely workers compensation or both.**

HOW DO WE STOP IT?

To successfully bring a fraud case to trial, insurers must be able to provide information to prosecutors on individuals suspected of fraud. Immunity laws, which allow insurance companies to report information without fear of criminal or civil prosecution, now exist in all states. However, not all laws cover insurance fraud specifically, nor do all regulations allow information to be reported to law enforcement agencies or to state DOIs.

JUST WHAT CAN WE DO

**Inspect risks and examine
autos or property to be insured**

**Complete and concise
information on applications**

**Inform underwriter if anything
seems unusual**

**Require all applications to be
signed**



10 WAYS THE INDUSTRY CAN HELP

- 10) Analyze claims history**
- 9) Check “suspicious loss indicators”**
- 8) Use private investigators**
- 7) Look for personal injury mills**
- 6) Suspicious billing**
- 5) Hand case over to SIU**
- 4) Evaluate prospective employee credit**
- 3) Check social media on claimants**
- 2) Solicit assistance from general public**
- 1) Perform cross-checks**

INSURANCE FRAUD – HALL OF SHAME

**The most brazen insurance
scammers**

**America's newest commanders
in thief**

The newest top 10!

