

## *The Definition of Insurance Fraud:*

Insurance Fraud occurs when people deceive an insurance company or agent to collect money to which they aren't entitled. It is a criminal act requiring a material and intentional misrepresentation in order to obtain a benefit, or cause a benefit due someone to be denied. Similarly, insurers and agents also can defraud consumers, or even each other.

*In other words, is it really fraud or is it an exaggerated or inflated loss?*

There is a difference between claim exaggeration or inflation of a claim and claim fraud. Insurance fraud as we stated needs to have a material misrepresentation in order to obtain a benefit. The misrepresentation must be intentional.

If a person receiving workers compensation payments returns to work and fails to advise the workers compensation carrier, and continues to cash the checks which are being sent to him, it clearly appears as though the system has been violated. In most cases, people may immediately believe he committed fraud, by stealing from the insurance company. In this case, insurance fraud has not necessarily been committed. It is only insurance fraud if he told an **intentional lie**, in writing or orally when questioned about his work status. If he wasn't asked or told them, fraud might not be the option here.

If a person tells a lie during the course of the claims investigation, but it is not material to the claim, they still have not committed insurance fraud. For example, a man was involved in a tractor trailer accident and advised the insurance company he was a former police officer and knew of the traffic laws and stated the adverse party was at fault. Well come to find out, this insured was never a police officer. Since this has no effect on the actual claim being paid, it is a lie, but not fraudulent because it was not material to the claim.

A person can also make a misrepresentation that is not intentional. For example, when conducting the initial loss report, the insured provides a false or wrong answer to the question asked of them. They did so because they misunderstood the question or forgot some incident or fact pertaining to the loss. This might not be an intentional misrepresentation. Here is an example: During the course of your claim investigation, you asked the subject if he can partake in any outdoor activities. He replies, "of course, I have begun to walk around the block in my neighborhood". When asked how far, he replies, "oh, just a mile". Well you later determined that his block is 1 3/10 of a mile around. This could be an **unintentional misrepresentation**. He may have estimated the distance and never measured it with an odometer. Now if you were able to get documentation of the subject running in a mini marathon or local 5K runs, then it could be perceived as an intentional misrepresentation, which has great effect on his claim.

## *The Definition of Insurance Fraud:*

Here are a few examples of what fraud is and isn't: A Chiropractic clinic performs manipulations on its patients and bills the insurance company a rate of \$100.00 per visit. The customary price is \$60.00. This is a case of abuse on his billing practices. You may think they are ripping off the insurance company, but it does not necessarily constitute fraud. Now, if the Clinic billed for these services and they were never performed on the patients, then you can consider this fraud.

An insured is involved in an automobile accident and brings their vehicle to a repair shop. The adjuster meets them there and provides an estimate for \$2500.00 minus his \$500.00 deductible, to fully repair the vehicle back to the pre-accident condition. The adjuster then writes a check to the insured for \$2000.00 and goes on his way. The body shop owner then speaks with the insured and offers to fix his vehicle for \$2000.00; he'll waive the \$500.00 deductible. The shop manager tells the insured he'll fix the vehicle, and do so with his own parts, not the ones required by the adjuster. Was fraud committed, no? Insured's can take their money and do what they want with it, repair or not repair their vehicle.

Now in this same case, if the insured paid his \$500.00 deductible to the shop and told the shop to repair his vehicle utilizing the repair estimate his adjuster provided and the shop doesn't, then it can constitute fraud.

## *General Indicators Of Fraud*

- **Physical address is not disclosed**  
Uses P.O. Box, attorney's office or relative
- **Address provided is not valid**
- **Subject lives in transient housing**
- **Subject is moving around**
- **Subject uses other people's telephone numbers**
- **May call from payphone**
- **Subjects SS#, name or other pertinent info doesn't match up**
- **Receive tips or rumors from co-workers, neighbor or family**
- **Recent Claims in the family or co-workers**
- **Claim filed several days, weeks or months after alleged loss**
- **Recent increase in coverage**
- **Reduction of deductible**
- **High number or other recent claims**
- **Makes a social security disability claim as well**
- **Has multiple means of coverage for loss**

## *Red Flags or Indicators Of Fraud*

### *Personal*

- Subject or spouse unemployed/self employed or seasonal worker
- Recent changes in family status
- Recent financial changes
- Subject has a criminal history, appears unethical, depressed or lazy
- Subject advises he is a victim of the insurance company
- Family history of claims
- Subject has dangerous hobbies
- Subject retains attorney immediately
- Attorney well known in the involvement of suspicious claims
- First Notice of Claims is from attorney
- Subject is threatening or abusive
- Subject might be evasive, repeating questions
- Subject is non cooperative
- Claimant's have strong knowledge of claims process and terminology
- Subject never home for calls – asleep-just left etc.
- Subject refuses personal visits by claims personnel
- Subject demands payment right away
- Subject calls constantly/daily to get paid
- Subject's demands are out-of-line with the type or degree of loss
- Subject avoids U.S. Mail, facsimile
- Drops off documents in person
- Subject in a hurry to settle claim

## *Red Flags or Indicators of Fraud*

### *Agent & Application Fraud*

- **Material Misrepresentation on application**
- **Clear inaccuracies on application**
- **Minimum premium paid on initiation of policy**
- **Insured paid cash**
- **Insured living with others not on application**
- **Insured denies having other or previous automobiles or can't remember**
- **Works in another state**
- **Garages vehicles out of state**
- **Out of state licenses**
- **Application not signed**
- **Blank answers**
- **Application completed by two or more different people**
- **Undisclosed risk issues**
- **Undisclosed commercial usage**
- **Poor driving record**
- **Vehicle not observed**
- **Some coverage, but not others**
- **Recent additions of coverage**
- **Lowering the deductible**
- **Full coverage on low value vehicle**
- **Any discrepancies of DL#, SS#, name, dob or address**
- **Walk in Clients**

## **Red Flags or Indicators of Fraud**

### **Auto Insurance Fraud**

- New Policy or new vehicle added
- Coverage added or increased prior to date of loss
- Vehicle was never inspected or seen
- Premiums paid in cash – short terms
- Odd combinations of coverage
- Loss occurred soon after re-newel or cancellation notice
- Contacted insurance company to inquire about coverage
- Poor driving record
- Drivers license in a few other states
- Title is not original, a salvage title or from out of state
- Title is unassigned
- Ownership undetected
- Has no purchase information

### **BI & Fraud Rings**

- Rental vehicle or rental truck
- High end car striking a low end vehicle
- Subjects have numerous prior claims
- Prior damage on vehicles
- All vehicles taken to same body shop
- Vehicle taken to a known “problem shop”
- All subjects have same doctors and attorneys
- All subjects have similar injuries
- Subjects reside near one another
- Both vehicles contain the same foreign nationals
- Subjects are all friends or acquaintances
- Three or more unrelated subjects in vehicle
- All subjects give exact or similar details of loss
- All subjects use similar terminology
- Despite extensive damage, vehicles were driven away
- Subjects demanded to go to hospital
- Minor impact, soft tissues injury
- Subjects admit liability immediately
- Property damage doesn’t match the alleged injuries
- No police reports or filed after the loss
- Phantom vehicles
- Witness’s state vehicle was breaking excessively prior to loss
- Witness overly cooperative or knows too much
- Witness may have heard, but didn’t see
- Accidents occur on private roads

## *Red Flags or Indicators of Fraud*

### *Comprehensive Losses*

#### *Vehicle Theft & Fire*

- Lease Vehicle – excess mileage
- Title is salvage
- Expensive vehicle no lien
- Recently purchased for cash Insured was selling vehicle
- Questionable ownership or title history
- Vehicle purchased from out of state
- Vehicle not registered in state
- Insured has no prior record of insurance even though prior damage
- Maintenance or repair issues
- Dealer problems or out of warranty
- Financed vehicle – upside down on payments/value
- Other financial problems – lost job
- Vehicle too costly for insured's income/lifestyle
- Lien holder is a non traditional lender
- Classic or collectible/antique vehicle
- Loss occurred soon after non-renewal or cancellation notice
- Policy changed or added coverage
- New policy
- Excessive belongings in vehicle
- Keys missing
- No damage to ignition
- Security system was off/malfunctioning
- Vehicle missing new tires/rims
- Additional aftermarket parts added to claim
- Taken from mall, airport, Movie Theater
- Recovered in a lake/canal
- Burnt
- Vehicle left out of garage
- Prior claims for theft and damage
- Heavy or senseless vandalism to vehicle
- Subject not interested in recovery
- Request fast payments
- Vehicle not seen for a few days prior to loss

## *Red Flags or Indicators of Fraud*

### *Worker's Compensation Fraud*

#### *Claim Fraud*

- Poor Attendance Record
- Recent disciplinary action
- Missed a promotion or transfer
- Problems with co-workers
- Recent termination, involuntary transfer
- Upcoming layoffs
- Prior lost time claims
- New employee
- Loss occurs on Monday morning (weekend injury)
- Accident happened where subject was not to be
- Performing a task not use to doing
- No witness
- Witness is a friend
- Witness heard but did not see
- Subject resists signing authorizations
- Resist light duty offers
- Not performing job search or lacking
- Alleged restrictions out of line with injury

#### *Premium Fraud*

- Repeated injuries by new employees
- Coverage issues – under estimate of employees
- Injuries inappropriate to job classification
- Classifications or number of employees in inexpensive classifications appear out of line with type of business
- Number of exempt officers seems out of line for size of the business
- Discrepancies between employer and employee regarding wages, name of employer or type of accident
- Any discrepancies in wages reported to other entities, such as state unemployment insurance returns
- Suspicious documents, such as copies showing evidence of erasures or other changes
- Discrepancies in reports of witnesses and employer or employee
- Accident occurs in state where employer is not known to do business
- Employer's doctor are overly aggressive about dismissing employees' injury complaints
- Employer has independent contractors on staff
- Indications that employees are paid by other than reported wages, such as with rent, cash, vehicle use or unusual expenses
- Employees paid by piece work
- Employer operating without all proper licenses
- Employer pays medical bills direct without reporting loss
- Employee lives far away from employer
- Policies written under DBA's
- Employer resist or delays premium audit
- Employer is hard to reach or uncooperative
- Employer is an employee small leasing firm
- Firm low balls competitor on contract bids

## *Red Flags or Indicators of Fraud*

### *Medical Provider Fraud*

- Canned medical reports and notes
- Errors of an obvious nature such as subject's gender, race or age
- Diagnosis and treatment don't match
- Clinic using a P.O. Box or mail drop
- Facility with several names
- Unprofessional letterhead or stationary/photocopied
- Referral to nearby medical testing or clinics
- Answering machine
- Treatment on weekends and holidays
- Clinic diagnoses new problems
- The work comp and health insurance are both billed
- Same treatment over and over
- Multiple subjects from same loss
- Same diagnosis for all subjects
- Clinic is a good distance from subjects home
- Inconsistency of fees for various services
- Numerous treatments on same day
- Mobile diagnostic operations
- Excessive diagnostic testing
- Subject can not identify clinic
- Subject can't explain treatment

### *Personal Medical*

- Injuries are subjective – soft tissues, sprains, headaches, psychological issues
- Psychological claims for Stress and Anxiety
- Claim is from previous injury
- Excessive recovery time
- Excessive Chiropractic treatment
- Excessive testing – MRI-NCV
- Excessive Therapeutic treatment – massages, acupuncture
- Subject shows no interest in getting better – doesn't want tests
- Subject visit specific doctors immediately
- Subjects' vitals are good –despite alleged long term inactivity
- Subject is over dramatic when describing injury
- Conflicting medical opinions
- Medical billings are billed on holidays and weekends
- Treatment includes prescriptions for controlled substances
- Variation in description of pain



## *Red Flags or Indicators of Fraud*

### *General Property Fraud*

#### *Theft and Burglary*

- No signs of forced entry
- Illogical target
- Excessive vandalism during burglary
- Excessive items taken
- Apprehended subject admits to taking much less
- Alarm was turned off or not functional
- Insured produces extensive documentation immediately after loss
- Lack of documentation or no receipts
- Recently purchased items missing
- Expensive items purchased in a short period of time
- Replacement estimates passed off as receipts
- Consecutive numbered receipts with purchased dates over time
- Basic handwritten receipts or bad copies
- Sales tax is incorrectly calculated or not included
- Many items purchased from same source
- Stolen items aren't consistent with insured's lifestyle/income
- Unfamiliar with items or can't give details
- Limited knowledge of missing items
- Police report differs from loss report
- Police changes, increase in coverage, lowering of the deductible
- New policy
- Loss around expiration, cancellation or non-renewal
- Financial motives – credit or mortgage issues

#### *Arson & Fire*

- Night, weekend or holiday loss
  - Boarders or roommates residing at resident
  - Insured claims to have been away from residence
  - Too solid of an alibi
  - Property run down
  - Property had been or is for sale
  - Delinquent taxes
  - Behind on mortgage
  - Liens of property
  - Rental property with high vacancy rate
  - Lack of personal property within
  - No animal loss
  - No sentimental items claimed
  - Missing items from residence
  - Large amount of cash lost
  - Utilities turned off at time of loss
  - Very detailed and organized content report
  - Very recent video of structure and contents
  - Surviving items are junk to begin with
  - Police report differs from loss report
  - Police changes, increase in coverage, lowering of the deductible
  - New policy
  - Loss around expiration, cancellation or non-renewal
-

## *Red Flags or Indicators of Fraud*

### *Personal Injury/Liability Fraud*

- **Background turns up history of losses**
- **Similar names, reversed names on databases**
- **Multiple family claims**
- **Vague details about their lives.**
- **Vague details as to what they were doing prior to loss**
- **Inconsistent details**
- **Witness known by subject**
- **No witnesses**
- **Out of state resident**
- **Try to settle immediately**
- **Low dollar claims at times**
- **Injuries don't match loss details**
- **When pressed my drop claim**
- **Will take minimal settlement when pressed as well**
- **Individual food contamination claims**
- **Falling merchandise**
- **Premises video captures subject searching for the cameras**
- **Premises video capture subject canvassing the premises for the least visible spot**
- **Assaults by unknown persons in hotels/phantom assaults**
- **Claims for lack of security**

## *Red Flags or Indicators of Fraud*

### *Life and Disability Fraud*

#### *Disability Income (DI)*

- Newly covered claimant
- Group policy without individual underwriting
- Claimant was self employed or had family business
- Verification of claimant's pre-event income not completed
- Declining income or indications it may have been likely to decline
- Recent increase in coverage
- Work related issues
- Eager for settlement
- Multiple disability income coverage
- Claimant traveling extensively
- Home or personal/family issues

#### *Life Insurance*

- Any death within a contestable period
- Any death with no body recovered
- Any accidental death under less than open and shut circumstances
- High dollar policy
- Policies without investigative confirmation of income
- Any discrepancies in any document
- Any question that insured knew about policy
- Excessive documentation provided
- Any doubts about the cause of death
- Multiple policies not requiring an exam
- Any possible suicide motives
- Roommate or boarder arrangements
- Marital problems – separation or divorce
- Financial issues
- Legal issues
- Changes in beneficiary
- Changes made to policy limit