

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.

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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.

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
- Financial motives – credit or mortgage issues

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**