



AN INSURANCE EXPERIENCE BUILT

AROUND YOU

How Best to Battle
Fraudulent Claims
by Sandi Kuritzky



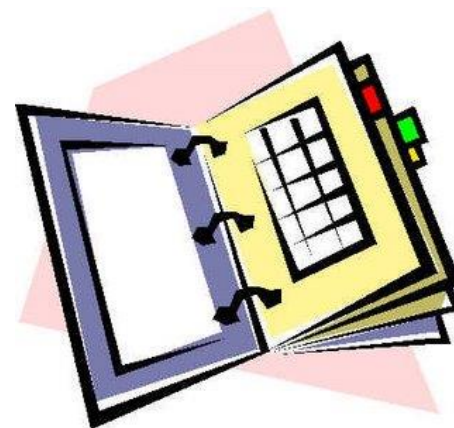
NATIONAL
INTERSTATE
INSURANCE

CLAIMS



Discussion topics

- Insurance fraud definition & types
- Penalties.
- Fraud facts & public opinion.
- National Interstate & SIU.
- SIU Tools.
- Identification and recognition of “red flags”.
- What YOU can do to prevent fraud.
- Schemes & Stories.
- Questions.





What is Insurance Fraud?

Insurance fraud is:

- any act committed with the intent to obtain a fraudulent outcome from an insurance process.
- the wrongful or criminal deception of an insurance company for the purpose of wrongfully receiving compensation or benefits.
- can be done by intentional misrepresentation and/or concealment of material fact.
- Insurance fraud is the #2 white collar crime by an individual.
- **What is #1?**

A large, dark red arrow graphic pointing to the right, with a smaller orange arrow graphic above it pointing to the right.

Types of Claim Fraud

Hard Fraud is a *deliberate act*. The loss is planned or invented in order to obtain a payment for damages under an insurance policy. Examples of hard fraud include arson, a staged slip and fall, or an alleged theft that never occurred. Criminal rings are heavily involved in hard fraud schemes.

Soft Fraud consists of *exaggerating* an otherwise legitimate claims. Also called “opportunistic fraud”, as there is a legitimate claim, it is far more prevalent than hard fraud. Example of soft fraud is a person being injured in an auto accident and claiming injuries worse than they are in order to increase the settlement value. Soft fraud increases during tough economic times.

Penalties for Fraud

- **Soft fraud** is classified as a misdemeanor in most states, and may be punishable by a year or less in jail, fines, community service, and probation.
- **Hard fraud** is a felony, with more severe punishments, such as more than one year in the state prison, large fines, and restitution.
- Many fraud causes contain elements of other crimes which can result in multiple criminal charges.



NATIONAL
INTERSTATE
INSURANCE

CLAIMS

Insurance Fraud Facts

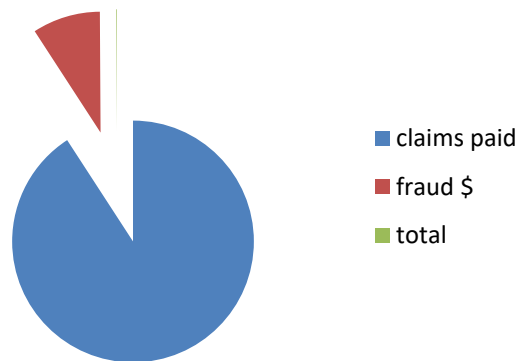
- Each state differs in definition and statutory approach.
- 43 states have specific fraud reporting requirements for insurance companies.
- Insurance fraud includes:
 - Application/Underwriting or Premium fraud.
 - Agency fraud.
 - Medical provider fraud.
 - Insured/Claimant fraud.



Fraud by the Numbers

- According to Insurance Information Institute (III):
 - What percentage of each \$1 spent on a P&C claim is fraud:

- a) 3%
- b) 10%
- c) 18%
- d) 21%



- 2013 FICO Insurance Fraud Survey.
- 2016 Property Casualty 360 Article.
- 2017 Coalition Against Insurance Fraud.

In Real Dollars....

- FBI estimates insurance fraud, excluding health insurance, amounts to \$40B/year.
- Using \$40B, what is the additional annual premium cost per USA household:
 - \$100-250
 - \$400-700
 - \$800-1,000
 - \$1,100-\$1,500
- Plus increased cost of goods sold with higher prices.



Public Opinion

- 68%: fraud occurs because people believe they will not be caught.
- 55%: poor service from the insurance company is more likely to cause a person to commit fraud.
- 24%: it is acceptable to pad a claim to cover a deductible.
- 18%: it is acceptable to overstate a claim to make up for past premiums paid.
- 10%: fraud does not hurt anyone.
- Based on a 2013 Insurance Research Council study



Natl Interstate & SIU

NATL partners with Great American's SIU.

- Investigate suspicious claims. Use SIU resources.
- Make referrals of suspicious claims to the Depts of Insurance (DOI) and other state, federal or local law enforcement agencies or prosecutors, as required.
- Provide employee training on anti-fraud or other investigative topics.
- Support Depts of Insurance or other law enforcement in their investigation and/or prosecution.





National Interstate's Position on Fraud

- We will resist paying fraudulent claims.
- Once a suspicious claim has been referred to SIU, Claims consults SIU before settling the claim.
- A claim under investigation by the Dept of Insurance, another regulatory agency or prosecutor requires communication with that entity regarding our decision to settle or deny the claim. SIU is the conduit for such communication.
- We do not use the threat of prosecution as a negotiation technique, nor will we use the promise to drop charges to force a claimant or insured to settle.

What NATL Does to Comply

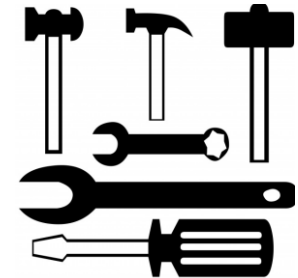
The insurance industry is highly regulated but fraud regulations vary significantly by state. State regulations have set forth requirements such as:

- Has a SIU program.
- Annual anti-fraud reporting.
- File a fraud plan with the Depts of Insurance.
- Provide Fraud awareness training to employees.
- Reporting fraudulent or suspicious claims to the DOI or other agencies - Reporting suspicious or fraudulent claims to these states **is not an option it is the law.**



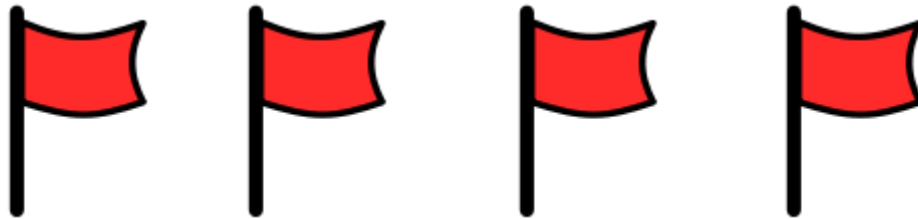
SIU Tools

- Red flag awareness.
- AERs.
- Investigation of facts, including photos & statements.
- Technology (internal data, public records, social media, etc.).
- Criminal background searches.
- Surveillance via on-site visual, drones, activities check in neighborhoods.
- ISO searches for prior or subsequent claims.
- Examination Under Oath (EUO) of Insured.
- NICB data analytics, investigation, resources.
- Law enforcement agencies & District Attorneys.
- Fraud language on correspondence.



Detecting Fraud Red Flags

- The key to detecting insurance fraud is identifying red flags. A red flag is a sign that there is a possible problem that should be explored. Individually a red flag may be completely innocent; however, when grouped together, these indicators begin to form a pattern.
- What **Red Flags** have you had in your claims?



What You Can Do: Preventative

- Commercial vehicles are a target of Fraudsters!
- Ensure AERs are actively used & maintained.
- Don't tailgate; look beyond the vehicle in front of you.
- Vehicle maintenance awareness.
- Ask questions of employees who hint at an injury; document time off & reasons why.
- Promote fraud awareness among employees & customers (posters, AER, safety meetings, etc.).



NATIONAL
INTERSTATE
INSURANCE

CLAIMS

What You Can Do: Post-claim: Auto

- Call police to any MVA.
- Drivers take photos (new vs old damage/lack of damage, OV license plate, how many passengers, etc.).
- Look for local businesses for possible security cameras.
- Be aware of scene of MVA (clmt behavior, 'witnesses' showing up, strangers recommending a body shop, attorney and/or doctor, etc.).
- Obtain names & contact info of legitimate witnesses.
- Notify NATL of claim concerns upon submitting claim.
- Provide requested information promptly to NATL.
- Ongoing communication with NATL.
- Refer any Clmts seeking payment to NATL.



What You Can Do: Post-claim: WC

- Obtain a written statement from EE to document facts of incident, injury and body parts.
- Make prompt referral to medical provider, if venue allows.
- Speak to co-workers who may have knowledge of incident and/or employee making a claim.
- Take photos of environment where injury occurred
- Maintain contact with disabled EE; show concern.
- Notify NATL of knowledge of EE's second job, activities, prior claims with another carrier, etc.



NATIONAL
INTERSTATE
INSURANCE

CLAIMS

Trending Auto Schemes

Auto Insurance Fraud Schemes

- Tow truck drivers take a vehicle to an undisclosed body shop that pays the **tow company a kickback**. Body shop bills inflated towing charges and added storage fees as the owner and the insurance company are left in the dark as to where it was taken.
- **Swoop & Squat:** Staged crash when fraudster cuts in front of moving vehicle and jams on brakes to cause a rear end collision.





Trending Trucking Schemes

- **Driver in need:** Fraudsters target companies with large driver pools by posing as a driver. They use information they have overheard while loitering around rest stops and talking with drivers. The scam artist calls the dispatcher to request an EFS MoneyCode for a fuel or repair advance.
- **Fake Govt official:** pretend to be a police officer or a DOT employee who demand immediate payment for a fictitious violation .

Trending Medical Schemes

Medical Fraud Schemes:

- Dishonest lawyers refer clients to dishonest medical clinics to seek **unnecessary treatment**.
- Medical providers bill the insurance company for **services which were never performed**.
- Some medical clinics have **no licensed doctors** and little useful medical equipment.
- **'Runners'** are paid a **kickback** when referring claimants to dishonest doctors.



Successful Fraud Pursuit- WC

- 55 yr old: Slip & Fall 8/18/15; conservative treatment of knees, back & neck.



- Jan 2016, doctor recommended bilateral knee surgeries. IME doctor confirmed related to WC claim, based on med records.
- ISO was run & found MVA 12/29/15 with duplicate injuries.
- WC judge supported denial of ongoing benefits & awarded NATL recovery of \$35,152 in restitution.
 - *“EE knowingly obtained benefits by way of fraudulent representation”*
- Referred to DOI Fraud Dept & Atty General. They refused to pursue soft fraud.



PIP/ Med Pay Fraud

- After MVA, a bus load of kids all appeared in the lobby of the same Chiro office with 24 hrs. Providers know the Med Pay limits of \$5,000 in Arkansas and automatically get their notarized lien for the full \$5,000 to the carrier as soon as the claimants walk in. SIU investigation found runners directed Clmts to the attorney and chiro.

Denied Clmts alleging IV struck CV

- NATL referred a questionable auto bodily injury claim to SIU. Several claimants alleged injury as a result of an auto accident with an insured vehicle. The insured denied being involved in an accident.
- Photographs of vehicle damages did not support the description of the accident. The claimant vehicle had damage on both sides claimed to be a result of the accident in question.
- Interviews of the CVD and several of the alleged occupants contained numerous, significant inconsistencies. The occupants were not able to describe the insured vehicle nor did their facts match the claimant driver's version.
- NATL denied the claim and SIU reported it to the state DOI.



Conviction for RV owner

- Late report. RV allegedly was damaged from striking a curb. The insured claimed it occurred in January 2016 but he did not notice the damage until May 2016 when he went to where the RV was parked and found a puddle of fluid under the RV.
- Inspection of the RV suggested the damage was older than claimed. ISO search found that insured made a similar claim to a prior carrier in August 2015. That claim was denied as the insured did not have coverage.
- The insured then purchased a policy in November 2015 with National Interstate. He denied having any damage to the RV at the time of the application (material misrepresentation).
- NATL claim referred to SIU in May 2016, resulting in a conviction of the insured in 2017.



NATIONAL
INTERSTATE
INSURANCE

CLAIMS



Social Media used on EE Fraud Claim

- EE truck driver claimed he sustained injury to his left knee while driving in July. There was no mechanism for injury and the medical records did not support that an injury occurred.
- EE later went to the ER twice claiming injury to the knee from striking the dash board while driving.
- Social media investigation documented the claimant traveled from MI to TN, with photos of EE hiking, posing with bear cubs and playing miniature golf.
- National Interstate referred a questionable WC claim to SIU in August 2017.
- The claim was denied and SIU reported it to the state DOI.

Surveillance Success Lead to Denial

- EE reported injuring his back from lifting a 70 lb. dock plate. EE remained out of work, claiming he suffers constant back pain with an inability to lift or sit for long periods of time.
- Surveillance documented the claimant driving around in his truck picking up scrap metal and other items. Video and photos were obtained showing the claimant lifting tables, bikes and other items. Many times the claimant lifted objects over his head to load into his truck.
- WC claim was denied & reported to SIU.
- SIU reported the claim to the state DOI.
- The DOI accepted the claim for further investigation.



Come On Down!!

- The Price is not Right for this contestant....





Questions??

