



Southwestern Insurance Information Service

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Who Pays For Insurance Fraud? We All Do.

Few people ever stop and think about the influence fraud has on their insurance rates and how much they are needlessly spending to subsidize the second most costly white-collar crime in America.

Insurers estimate that 10 percent or more of property/casualty insurance claims are fraudulent. Expressed in dollars, that amounts to roughly \$80 billion each year. Property and casualty insurers aggressively investigate claims they find suspicious using Special Investigative Units who work closely with law enforcement officials in an effort to bring to prosecution those who are guilty of this crime, thus helping to reduce the amount everyone pays for insurance.

In 2008 the National Insurance Crime Bureau released a study detailing “owner give ups,” which translates into vehicles which were reported stolen by their owners when the owner was actually making a false theft claim. NICB found that the top five cities for “owner give ups” were Houston, TX.; Las Vegas, NV.; Phoenix, AZ.; Los Angeles, CA. and Chicago, IL.

Broken down by state, the top five were California, Texas, Georgia, Florida and Illinois.

The National Insurance Crime Bureau also reported that arson by business owners are among the most “dramatic acts of financial desperation.” One out of three state fraud bureaus have indicated that case referrals for commercial arson increased in 2009.

Some states are seeing increases in cases involving intentional burning of homes and vehicles, often the result of financial stress and foreclosure during difficult financial times.

The average American is paying about \$950 each year to subsidize insurance fraud. Insurers and their business partners, state and federal government agencies and private citizen groups are working

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diligently to reduce insurance fraud. Some states have established fraud bureaus, some with investigative and law enforcement powers.

Describing some of the most common instances of insurance fraud can become a complex matter. Recently a San Antonio, Texas television station aired a story which graphically illustrates examples of fraud and provides an insight into how innocent victims are targeted. The news story may be viewed using the following link <http://www.ksat.com/video/15276819/index.html>

The workers' compensation insurance system is not immune from fraud. One type of such fraud involves employers who misrepresent their payroll or the type of work carried out by their employees to pay lower premiums. Medical care abuses such as providers exaggerating treatment provided to injured workers and claimants who over-utilize medical care to keep receiving lost income benefits are just two examples.

In April 2010 the Insurance Services Office, the National Association of Insurance Commissioners and the National Insurance Crime Bureau launched a program to streamline the process of reporting possible fraud in filed claim. Companies can now file a single report directly to multiple state insurance departments and NICB. Reports filed with NICB/ISO Fraud Bureau Reporting Program will now also be filed with the NAIC Online Fraud Reporting System, eliminating duplicate filing in most states.

“Addressing insurance fraud is an important step in reducing costs and protecting both consumers and insurers,” according to Jane L. Cline, NAIC President and West Virginia Insurance Commissioner. The NICB and ISO expect to provide NAIC with approximately 80,000 reports of fraud per year.

The Texas Department of Insurance has established an Insurance Fraud Unit to enforce laws relating to fraudulent insurance claims. The unit's responsibilities include receiving and reviewing reports of fraud, initiating inquiries and conducting investigations. The unit actively seeks criminal indictments, makes arrests and assists in prosecution.

Recently, TDI and the Dallas County District Attorney's office obtained indictments of 29 individuals for insurance fraud with 8 cases still pending before the Dallas County Grand Jury. The indictments involve approximately \$1.25 million in losses to insurers and consumers.

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The Oklahoma Insurance Department employs experienced investigators who are certified by the Council on Law Enforcement. They conduct criminal investigations related to insurance fraud and work closely with other law enforcement agencies. After completing a fraud investigation, they refer their findings to the Attorney General for prosecution.

If you suspect insurance fraud, call your insurance company or the state department of insurance to report potential instances of this crime.

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