Insurance Fraud Examples

Insurance fraud falls primarily into two categories: **internal** and **external** fraud.

INTERNAL FRAUD - Internal fraud are those perpetrated against an insurance company or its policyholders by insurance agents, managers, executives, or other insurance employees. Examples include:

Fake/False Documents: Agent or insurer issuing fake policies, certificates, insurance identification cards or binders.

False Statements: Agent or insurer making a false statement on a filing with the Nebraska Department of Insurance.

Pocketing Premiums: Agent or insurer pocketing premiums, then issuing a phony policy or none at all

EXTERNAL FRAUD - External fraud schemes are direct against an insurance company by individuals or entities as diverse as policyholders, medical providers, beneficiaries, vendors, chiropractors and career criminals. Examples include:

Arson-for-Profit: An owner, or someone hired by an owner, deliberately burns a business, home, or vehicle to collect insurance money.

Disaster Fraud: Unscrupulous operators persuade disaster fraud victims to claim more damages than actually occurred, or they collect money to repair damaged property but never complete the work.

Creating a Fraudulent Claim: Creating a fraudulent claim may include: staged or caused auto accidents; staged slip and fall accidents; false claim of foreign object in food or drink; faking a death to collect benefits, or filing a phony death claim; murder-for-profit; phony burglary theft or vandalism; arson; staged auto thefts; and staged homeowner accident or burglary.

Exaggerated Claims (Overstating the Amount of Loss): The most common perpetrators of fraud are the occasional "fibbers" or "padders" who overstate their insurance claims to make up for the deductible. Consumers pay billions of dollars annually to cover these little exaggerations. Overstating the amount of loss can include: inflating bodily injuries from an auto accident; inflating value of items taken during a burglary or theft; inflating a physical damage claim from a minor fender bender; and medical providers inflating billing or upcoding of medical procedures to name a few.

Falsifying Theft Reports: A property owner falsely reports items stolen or exaggerates the values of items taken in a burglary to collect insurance money.

Medical Fraud (Medical Mills): Unethical medical practitioners or providers work in concert with scheming patients to create fictitious, accident-related injuries to collect on fraudulent disability, workers compensation, and personal injury claims. These providers usually work through middlemen who recruit patients for their scams. The doctors often bill insurers for multiple office visits and tests which never take place.

Misrepresenting Facts to Receive Payment: Claiming prior damage occurred in the current accident; claiming a minor injury created a partial or total disability; receiving disability payments while working elsewhere conducting the same or similar work duties; claiming false disability; medical providers billing for services not rendered; providing unnecessary medical treatment; charging for nonprovided medical tests; pharmacist "upcoding" for medicine by issuing generic pills and charging for name brand.

Past Posting: In horse racing "past-posting" is a scheme in which a bettor attempts to beat bookies by placing bets on races that have already been run. The same kind of scheme can prove profitable to a claimant with an uninsured property loss. When a person becomes involved in an automobile accident, victim of a car theft, or finds themselves with a property loss and no coverage, he or she may decide to take a chance at "past-posting" insurance coverage. The victim may take the simple approach of going directly from the scene of the accident or theft to an insurance agency or create an elaborate scheme of events. The key is the coverage must appear to have been in force at the time of loss.

Personal Injury Schemes (Slip & Fall): A corrupt attorney reports his client was seriously injured after falling on commercial property and demands the business's insurance company be notified. The business owner has no prior knowledge of anyone falling and has never seen the claimant. The fall was staged or fabricated, and there was no such injury. These con artists often target small businesses or franchise operations.

Property Fraud (Multiple Policies for Profit): A property or vehicle owner illegally buys numerous insurance policies for one property or vehicle and then damages or destroys it, collecting on all policies.

VEHICLE SCAMS

Drive Down: A driver waves on another driver, indicating it is O.K. to proceed, and then intentionally hits the passing car.

Hit & Run: Using a pre-damaged vehicle, criminals claim they were in an accident and can't identify the other driver, often calling police to verify.

Paper Accidents: An owner fabricates an accident by making false police and insurance reports.

Policy Misrepresentation: A vehicle owner uses a friend's or relative's address and misrepresents how far he drives to work to obtain a lower premium.

Owner Give-Up: The vehicle owner orchestrates the destruction of the vehicle to collect insurance money.

Risky Repairs: An auto body shop owner offers to "hide" the deductible or inflate the extent of damage.

Sideswipe: A driver in the inside lane of a dual left turn lane in a busy intersection drifts into the outer lane, intentionally forcing a collision.

Swoop & Squat: This scam occurs when the vehicle you are following is suddenly passed by another vehicle that "swoops" in front of it. This causes the vehicle in front of you to stop abruptly, or "squat." As a result, you are unable to avoid colliding with the rear end of the vehicle. The drivers of both the swoop and squat car planned the accident. The swoop car will never be seen again and the driver of the squat car plans to submit vehicle damage and personal injury claims to your insurer. Oftentimes, multiple occupants in the squat car will fabricate bodily injuries as well.