

Indicators of Catastrophe Fraud Detection – The First Line of Defense

Most claims are legitimate, but some are fraudulent. Therefore, it is appropriate for the adjuster to review all claims for possible fraud. Determining the “fraud probability” of any claim is facilitated when the adjuster is familiar with various fraud indicators.

These indicators should help isolate those claims which merit closer scrutiny. No one indicator by itself is necessarily suspicious. Even the presence of several indicators, while suggestive of possible fraud, does not mean that fraud has been committed. Indicators of possible fraud are “red flags” only, not actual evidence.

Some claims, although suspicious, may have to be paid for lack of conclusive evidence of fraud. However, they should be referred to NICB for further review.

All carriers need to maintain good faith when handling claims for catastrophe victims. However, massive disasters overload insurance claim personnel. Insurance personnel are under pressure to settle losses quickly to alleviate the hardship of insured's. Criminals recognize and exploit these crises. Catastrophe related fraud and abuse primarily falls into three categories: insurance claim fraud, property repair fraud and fraud associated with claims and loss processes. Each category may involve bribery, kickbacks, misrepresentation, concealment, forgery and theft.

Indicators of Claim Related Fraud

Note: Catastrophe insurance claims fraud includes inflated and totally fabricated losses, intentionally caused damages, claims for preexisting damage and backdated policies.

Insured With Catastrophe Insurance Coverage (Earthquake, Flood, Hurricane, etc.)

- ☛ Insured declares extensive losses without physical evidence, i.e., photographs or documented receipts.
- ☛ Items claimed do not match claimant's life-style, décor, house, occupation or income.
- ☛ Items claimed cannot physically fit in existing floor space.
- ☛ Lack of carpet indentation from alleged large furniture or appliances.
- ☛ Extensive commercial losses occur at site where few or no security measures are in effect.
- ☛ Insured is unusually knowledgeable regarding insurance terminology and the claims settlement process.
- ☛ Insured is overly pushy for quick settlement.
- ☛ Insured is willing to accept an inordinately small settlement rather than document all claim losses.
- ☛ On scene investigation reveals no remains of the items claimed and normally found in a home or business, i.e., Kitchen—major and minor appliances, Living Room—television/stereo equipment, record/tape collections, etc.
- ☛ Investigation reveals absence of family photographs, heirlooms or items of sentimental value.

Insured's Without Catastrophe Insurance Coverage (Earthquake, Hurricane, etc.)

- ☛ Affected area was not evacuated.
- ☛ Lack of security in the area.
- ☛ No other homes were damaged or destroyed in the affected areas.
- ☛ Name or address on receipt does not match insured's information.
- ☛ Insured has no documentation or receipts (stolen, damaged or thrown out).
- ☛ Insured submits a theft claim as a result of looting.
- ☛ Insured had all cash purchases.
- ☛ Insured claims items were new.
- ☛ Insured can't properly describe items function or features.

Fire/Flood Losses

- ☛ Insured property was not located in major damaged area.
- ☛ Property was in poor condition prior to loss.
- ☛ No other homes or businesses were damaged or destroyed by fire or flood, in the affected area.

Landlords

- ☛ Renter maintains a tenant policy but landlord claims tenant's contents.
- ☛ Vacated rental property claimed as primary residence.

Indicators of Property Repair Fraud

Note: Property repair fraud involves unethical, incompetent and dishonest building contractors, who employ a variety of illegal or questionable techniques. These techniques include activities such as collecting payment for defective or unperformed services, damage inflation, insurance fraud conspiracy, bribery of insurance adjusters and kickbacks. Insured's may conspire with the repairer to cover their deductible, upgrade their property or repair preexisting damage or defects.

Contractors/Providers

- ☛ Does not maintain a local office or have a local telephone number.
- ☛ Are not able to provide references.
- ☛ Want payment up front.
- ☛ Have inadequate equipment to perform job.
- ☛ Arrive at loss site without being solicited.
- ☛ Offer below market prices... "too good to be true".
- ☛ Offer cash incentives to get the job.
- ☛ Estimate is very general... lump sum.
- ☛ Are not bonded or are underinsured and are not licensed or are newly licensed.
- ☛ Multiple contractors using same license.

Indicators Associated With the Claims Process

Note: Fraud related to the claims process includes people impersonating insured's and fraudulently collecting on their claims, forging and cashing claim payment drafts and using contractor damage repair estimates to collect for property damages never intended to be repaired.

- ☛ Insured unable to provide proof of identification and/or home ownership.
- ☛ Insured over-documents losses with a receipt for every item including items of property.
- ☛ Insured cannot provide receipts, cancelled checks or other proof of ownership for recently purchased items, i.e., warranty information, user manuals.
- ☛ Insured provides numerous receipts for inexpensive items, but no receipts for items of significant value.
- ☛ Insured provides receipt(s) with incorrect or no sales tax figures.
- ☛ Insured provides receipt(s) with no store logo (blank receipt).
- ☛ Loss inventory indicates unusually high number of recent purchases.
- ☛ Insured cannot recall place and/or date of purchase for newer items of significant value.
- ☛ Insured indicates distress over prospect of an examination under oath.
- ☛ Insured cannot provide bank or credit card records or recent purchases of significant value.
- ☛ Insured provides receipts from same supplier with sequence numbers in reverse order of purchase date.
- ☛ Insured provides two different receipts with same handwriting or typeface.
- ☛ Insured provides single receipt with different handwriting or typeface.
- ☛ Insured provides credit card receipts with incorrect or no approval code.
- ☛ Insured claims the identical items under different policies or with a different insurance company.
- ☛ Insured cannot produce damaged item(s) for viewing.
- ☛ Insured claims unrepaired damage from a previous disaster.