

# Insurance Fraud



## A Crime That Affects



## Everyone

Louisiana Department of Insurance

Tim Temple, Commissioner



## **A message from Commissioner of Insurance Tim Temple**

The Louisiana Department of Insurance is tasked with balancing the needs of insurance consumers with the insurance industry's need to operate competitively. The LDI works diligently to protect the interest of policyholders while promoting a flourishing insurance market that benefits all residents and businesses in the great state of Louisiana. It is our mission to make sure insurance is available, affordable and accountable in Louisiana, and every action I take as Commissioner is targeted at achieving those goals.

As part of that mission, the LDI creates publications to provide consumers, the insurance industry, and other stakeholders with educational information about insurance-related matters in Louisiana.

I hope you find this publication informative, and I encourage you to contact us with questions or concerns at 1-800-259-5300 or [ldi.la.gov](http://ldi.la.gov).

# What is Insurance Fraud?

Insurance fraud is the willful abuse of an insurance policy for some kind of financial gain. Fraud is an intentional act and is illegal. It includes any deliberate deception perpetrated against an insurance company, and any deliberate deception committed by an insurance company or its representatives. Insurance fraud is a problem for both insurance companies and consumers.

Insurance is a vital safeguard in our society, and a contract founded on trust. When homes are destroyed, serious illness encountered or accidents happen in the workplace, we trust insurance companies to be there for us. Insurance fraud undermines that trust and hurts those legitimately insured most of all.



There are two kinds of fraud – ‘hard’ and ‘soft’. Hard fraud is a dedicated criminal effort to defraud insurance companies by staging accidents, committing crimes such as arson or otherwise going through a lot of planning to intentionally commit a crime. While it is definitely out there, this kind of fraud is surprisingly rare when you compare it to ‘soft’ fraud, such as claiming a little more damage on an accident report. Many Louisiana residents aren’t aware that insurance fraud - especially soft fraud - is a crime. Many more think it is “victimless.” No matter what you might think, insurance fraud in all its forms hurts Louisiana as a whole.

Insurance fraud is such a complex crime because it is committed by a wide range of individuals with varying backgrounds. Examples of insurance fraud include the neighbor that overstates his/her damages after a storm, the teacher who falsely reports items missing after a home burglary, and the factory worker who exaggerates his injuries on the job. It also includes organized criminals that orchestrate automobile accidents with unsuspecting drivers, automobile repair shops that purchase cheaper parts and charge dealer replacement prices and doctors who insist you file a personal injury claim after an accident even if you are not hurt.

Insurance fraud is the second most costly white-collar crime in America behind tax evasion. Each year insurance fraud costs Americans billions of dollars in increased insurance premiums, taxes and inflated prices for goods and services.

## How to Protect Yourself From Insurance Fraud

- Do not buy the first policy you find. With most things you buy, you shop around and compare prices and features. Do the same with insurance. Always obtain quotes from several companies and compare benefits and rates before you pay your first premium.
- Be careful to only buy from authorized companies and producers. Unauthorized insurance operations are illegal, and their policyholders are unprotected if they go broke. You can verify this information by calling the Louisiana Department of Insurance.
- Be sure to look into the credibility of the producer as well as the company. If the price quoted sounds too good to be true, it probably is. Low premiums do you no good if you receive bad service or the company is unable to cover your claim.
- Fill out your application carefully. Never sign blank forms or blank applications. Incorrect, incomplete or false information on your application can jeopardize your insurance coverage. It is a crime to supply false information on an insurance application or claim. Don't let a producer convince you to say anything or file information that is not true.



- Never pay for your premium in cash. Always pay insurance premiums by check or money order. Make sure that you have a receipt that shows that you actually paid the premium. Whenever possible, make your payment to the insurance company, instead of the producer.



- Expect a copy of your policy from your producer in a reasonable amount of time. (Note: for auto insurance, an ID card is NOT considered a copy of the policy.) If you do not receive your policy, contact your producer, and then contact the Louisiana Department of Insurance.



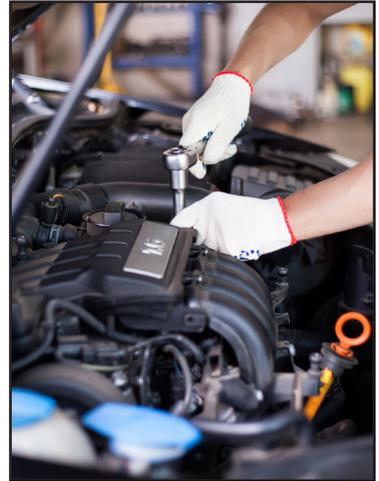
- Read your policy immediately to verify that it contains the coverage you discussed with your producer. If not, contact your producer immediately or return your policy.

- Remember there is a free-look period in which you have time to review a policy once you have received it. All life and health policies must have a free-look period of at least 10 days, although some may be longer.
- Keep copies of all insurance records, including copies of all premium payments. Store extra copies in a safe-deposit box, in a waterproof and fireproof container, or with a friend or attorney.



## **AUTO INSURANCE FRAUD**

- **FICTIONAL THEFT** – A policyholder files a phony insurance claim for a “stolen” vehicle that he knows is simply in “storage.”
- **REPAIR SHOP RIP-OFFS** – The owner of an auto repair shop or glass shop offers to inflate a policyholder’s damage estimate as a favor to cover the deductible.
- **ADJUSTER RIP-OFFS** – An insurance company directs its adjusters to deliberately limit amounts payable on certain items so that claimants are not properly reimbursed for their losses.
- **UNCOMPLETED REPAIRS** – The owner of an auto repair shop routinely does not replace parts that are required to complete repairs, or an insurance company requires that substandard work be done by repair shops.
- **DECEPTIVE CLAIM** – An accident victim files a claim for repairs that had been previously claimed.
- **STAGED ACCIDENTS** – Beware on the road. Automobile accidents and insurance fraud often go hand in hand. Often times, the scam is to force you into an accident and then complain of neck and back injuries. These types of scams can involve multiple claims against your insurance policy and could involve physicians and attorney bills as well. To avoid being a victim, keep a safe distance from the vehicle in front of you and beware of “short stops” from that vehicle. Also, beware of drivers that cut into your lane and immediately put on the brakes.



## Tips to avoid becoming a victim of staged automobile accident fraud:

- Avoid tailgating and always give yourself plenty of space between you and the vehicle in front of you.
- If you find yourself in an accident, call the police immediately and obtain the police report or an item number for the report. Exchange contact information with the drivers of other vehicles. Make sure you use a current driver's license to obtain valid information. If the drivers refuse, ask the police officer to provide you with the contact information of all parties involved.
- Take pictures of the damage to vehicles involved in the accident and document the number of passengers in each vehicle.
- Avoid people at the scene of the accident that are not involved, especially if they are attempting to obtain information regarding whether you have a lawyer or a doctor.
- If your vehicle requires towing assistance and you have road assistance, make your own arrangements with your company. Avoid tow trucks that happen to show up at the scene offering assistance. If you choose to use a tow truck service that arrives at the scene of the accident, make sure you have a designated repair shop available to receive your vehicle. Do not allow the tow truck operator to recommend a repair shop that you have not heard of and did not make prior arrangements with.
- Contact your insurance company or producer as soon as possible to report the accident and to open a claim. Having a copy of the police report or police item number will help expedite the process. Once you have contacted your producer, refer any calls regarding the accident to the person handling your claim.



# **PRODUCER FRAUD SCHEMES**

- **Pocketing Premium Payments** - One common insurance scheme occurs when a producer fails to turn over a premium to an insurance company, leaving the customer without coverage. A dishonest producer sometimes gambles that a client won't file a claim and "pockets" the premium money.



You can protect yourself from this type of fraud by paying your insurance premiums by check or money order made payable to the company, not to the producer or agency, whenever possible.

Producers who fail to turn over premium money to an insurance company could lose their licenses, and face criminal theft charges if they keep the money for their own use.

- **Twisting** - Insurance producers usually receive their largest commissions for the first year a policy is in effect, with lower commissions in later years. Because of this, some producers may "twist" the truth and urge you to change policies or companies. This happens most frequently with life insurance policies.

However, you should be wary of changing any of your policies, because there could be drawbacks. For example, health insurance policies usually don't pay benefits for illnesses diagnosed before the policy took effect. Also, some policies may include a waiting period.

- **Stacking** - Normally, one policy covers a consumer's needs in each insurance area. However, for investment purposes some consumers may deliberately decide to buy more than one annuity or life insurance policy. Some producers try to sell you unnecessary multiple policies, claiming that you need extra coverage. This happens most frequently with life or health insurance policies.

- **Sliding** - Sliding occurs when unethical producers try to sell you coverage you either don't want or don't need by telling you it is part of a "package." They may not even tell you about the extra coverage at all. Sometimes producers will "slide" in extra coverage that carries a high commission along with the low commission coverage you are purchasing. The most common kind of items that producers "slide" are accidental death coverage, guaranteed renewable term life insurance, or motor club membership.
- **Churning** - Churning occurs when a producer tries to sell an additional policy to a person who already has a policy with a cash value. The producer promises the person a new policy at a low cost. The problem is that the policy costs so little because the rest of the premium is being drawn out of the cash value of the first policy, and the new policy will eventually deplete the cash value of the first policy. The policyholder will be left trying to come up with money to pay for both policies or the coverage will lapse.
- **Other Schemes** - Unethical producers sometimes sell fabricated insurance policies, while some claim they represent the federal or state government. Others may use the license of a former or retired insurance producer. Check with the Louisiana Department of Insurance to verify the license of a producer or company by calling 225-342-0860 in Baton Rouge or toll-free at 1-800-259-5300. You can also check the status of a producer or company on our website, [www.lds.la.gov](http://www.lds.la.gov).

## **CONTRACTOR/DISASTER FRAUD**

Hurricanes, tropical storms, hail, floods, earthquakes, tornadoes and lightning strikes are all types of natural disasters. Other disasters such as levee failures and oil well explosions are examples of man-made disasters that have an equally damaging effect on communities. Too often, the result of these events are magnified by individuals and companies that take advantage of these bad situations and prey upon people when they are most distracted by what has just happened.



The Hurricane Katrina Fraud Task Force was established by the Department of Justice to investigate fraud following the disaster. It received and screened more than 26,000 fraud complaints and referred more than 17,000 of those complaints to law enforcement agencies for investigations. The Task Force has since evolved into the National Center for Disaster Fraud.

In the wake of a damaging storm, home repair contractors often go door-to-door offering roofing, siding and repair services. While a majority of the contractors are reputable, there are unscrupulous home repair contractors who prey on consumers who are anxious to get their property and lives back in order.

## **In order to defraud consumers and insurance companies, deceitful contractors will often:**



- Damage a consumer's home while conducting an inspection so as to justify the need for repairs.
- Pressure a consumer to enter into a contract immediately.
- Alter a contract after it's been signed and amend the terms without the consumer's knowledge.
- Require a consumer to sign a Power of Attorney, negotiate the settlement of the claim and then pocket the insurance proceeds without doing the work.
- Install products that are a lower quality than that which was originally agreed upon.
- Suggest they inflate the damage caused by a storm so that the consumer can obtain funds from the insurance company to cover repairs typically not covered by insurance (i.e. – old shutters, windows, normal wear and tear).

## To avoid becoming a victim of disaster fraud...

- Contact your insurance carrier immediately if you believe your property sustained damage.
- If you are in need of repairs after a disaster request a list of reputable contractors from your insurance carrier, the Better Business Bureau or a specialized organization. Only work with contractors that are licensed and insured. Ask for a copy of their contractor's license number and proof of insurance. Make sure the contractor's license is issued in the state in which the work is being performed.
- Contact multiple contractors and obtain more than one estimate. If a price sounds too good to be true, it probably is. Require all estimates in writing on a company's stationary or work order sheet. An estimate should include all materials, labor payment requirements and time tables for completion. If sub contractors are required, they should also be listed on the estimate.
- Be wary of any contractor who uses high pressure sales tactics or discourages you from contacting your insurance company.
- Do not allow a contractor to inspect your property when you are not home. If you give a contractor permission to inspect your property, watch them conduct the inspection.
- Request references that include addresses and phone numbers. Once you receive references, use them. Inquire about the contractor's workers, their work schedules, pricing and the quality of the finished product.
- Read all documents provided by a contractor before signing. If you feel unsure about a contractor, do not sign the contract. If the contractor seems in a hurry to have you sign an agreement and pay the deposit, take additional time to review the scope of the work needing to be performed.

- Do not give a contractor Power of Attorney over your affairs, or permit them to negotiate or settle your insurance claim.
- Do not pay a contractor the full amount of the cost of repairs up front and do not sign a completion certificate until all work is completed as indicated in your contract or written estimate. Always pay contractors by check or credit card, rather than in cash, so you have a record of all payments issued.
- If you believe you have been defrauded by a home repair contractor or have been encouraged to fabricate an insurance claim, you are encouraged to call the Louisiana Department of Insurance Fraud Division at 225-342-4956.

## **IDENTITY THEFT INSURANCE FRAUD**

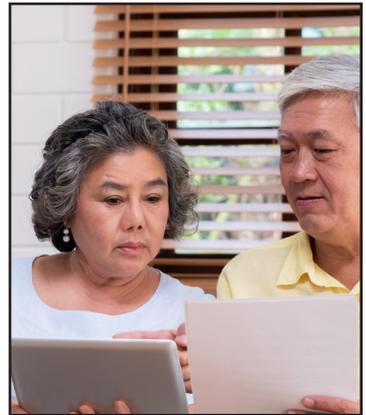
At an alarming rate, more and more Americans are becoming victims of identity theft. With the ever advancing developments in accessing information on the Internet, the interest in our most basic personal information is at an all-time high. Although there are those who still gather personal information by diving through residential and commercial garbage bins, the most frequent attempts to rob ones identity comes by way of the Internet. The gathering of names, addresses, birth dates, social security numbers, driver's license numbers, and credit card numbers pose the biggest threat to personal safety in the 21st century.



Too often identity theft turns into insurance fraud when identity thieves use your personal information to purchase automobiles and insurance policies and then file false insurance claims resulting from a staged accident, a false medical claim from the accident, or a false stolen vehicle report. In addition, identity thieves obtain homeowner's or rental insurance policies with your personal information and submit false claims for burglaries and repairs.

## To protect yourself from identity theft...

- Obtain and review your credit report and credit score twice yearly from three major credit reporting agencies, Experian, Trans Union and Equifax. By law, you can request a credit report once a year from these credit agencies free of charge and check for errors or any misinformation. If you have been a past victim of some type of identity theft or credit card fraud, you may wish to obtain a credit monitoring service.
- Invest in a shredder or tear up old documents that contain personal information such as complete credit card numbers, social security numbers, driver's license numbers or dates of birth. Avoid putting your social security number or driver's license number on personal checks.
- While using the Internet, know the sites you are visiting and make sure the site is securely protected before providing personal information. Do not respond to emails requesting personal information. Do not respond to unsolicited telephone calls attempting to sell something and requiring personal information such as checking account numbers or credit card numbers. Always ask if there is an address to mail a check for purchases. If the caller says no, this should be a red flag.
- Review all credit card billing statements closely. Look for strange or unfamiliar transactions. If you notice something that is unexpected, contact your card company immediately for clarification. Most credit card companies have a credit card fraud division. If you are unsure, take advantage of this free service.
- Limit the number of credit cards you carry at one time. When using debit cards be aware of who is behind you or in plain sight before entering your PIN.



# **WORKERS' COMP/ MEDICAL FRAUD**

The most costly and wide-spread types of insurance fraud that plague the insurance industry are workers' compensation and medical fraud. These types of fraud can range from an employee faking a work related injury to collect benefits, to an organized team of corrupt physicians, patients and attorneys that submit inflated or outright false medical claims to insurance companies and Medicare in order to maximize profits. Because of the complex nature of these types of fraud, not only are the insurance industry and the American public at risk, but the entire health care delivery system is at risk.

## **To Avoid Workers' Compensation and Medical Fraud...**

- Consult insurance professionals to develop a safety program that addresses all workers' compensation injury insurance claims to better determine legitimate claims from fraudulent claims. Implement and maintain "safety first" initiatives in all work areas of the business.
- Establish a zero tolerance policy for workers submitting fraudulent claims. Make this a permanent part of the company's employee manual and review it with all new hires and at periodic safety meetings.
- When in an accident that requires medical attention, try to provide medical personnel with your medical information, such as your doctor's name and hospital. Be cautious of people attempting to refer you to a particular hospital or doctor for treatment. Also be cautious of anyone at the scene or in a medical facility trying to refer you to a particular attorney.
- Obtain a second opinion for your injury if you feel your doctor is aggressively prescribing excessive treatments.
- Seek referrals from someone you trust. If you are not familiar with a particular doctor or lawyer, contact your state medical licensing board or the bar association to obtain information on them. If you are unable to obtain information on a particular professional to your satisfaction, make another selection.

# **FRAUD TARGETING SENIOR CITIZENS**

Insurance fraud affects the quality of life of all Americans, but no group is more susceptible to these crimes than our senior citizens. Too often seniors are specifically targeted by criminals with schemes designed to defraud the individual, the insurance company and the government. During disasters, crimes most often involve unscrupulous contractors that take advantage of senior citizens who live alone and are already traumatized by unforeseen circumstances.

## **Tips for senior citizens to avoid being a victim of fraud:**

- Seek referrals from someone you trust. If you are not familiar with a particular doctor or lawyer, contact your state medical licensing board or the bar association to obtain information on him or her prior to your scheduled visit. Register all telephone numbers with the National Do Not Call Registry at [www.donotcall.gov](http://www.donotcall.gov). Most scams begin with an unsolicited phone call. Registering your telephone numbers will greatly reduce the number of unwanted telephone solicitations received.
- Never agree to give someone your checking account information, credit card information, social security number or driver's license number over the telephone, especially if they call you.
- Do not discuss home repairs with any person that comes to your home unannounced or without an appointment, no matter how good the price is.
- Talk with a relative or close friend before you sign a contract for home repairs and agree to pay for services. It is always a good idea to have someone else review a contract. Also, make sure the contractor you select has a valid contractor's license in your state and proof of valid insurance before he begins any work at your home.



- Beware of anyone who come to your door offering health or life insurance. Insurance producers cannot solicit business at your home without an appointment!
- If you do make an appointment to meet with a producer, make sure he or she is licensed by calling the Department of Insurance at 1-800-259-5300 or check the status of the producer on our website, [www.lidi.la.gov](http://www.lidi.la.gov). Do not give personal information to anyone you have not verified as a licensed producer.



## Investigation & Prosecution of Insurance Fraud

The fraud divisions of the Louisiana Department of Insurance, Louisiana State Police and Attorney General’s Office, as well as local authorities, all play a role in the investigation and prosecution of suspected insurance fraud.

National organizations such as the National Insurance Crime Bureau, the Coalition Against Insurance Fraud and others are working hard to reduce insurance fraud in communities all across America.

In most states, including Louisiana, insurance fraud is considered a felony. If convicted, insurance fraud carries penalties such as fines, restitution, community service, parole and jail time. Even if the penalties do not include all of the above, insurance fraud is a felony conviction which will affect your ability to secure work, your standing in your community and the future insurability of you and your family.

Although many people think soft fraud isn’t that bad, the truth is that soft fraud is just as criminal as hard fraud, carries the same stiff penalties as a felony conviction and is just as detectable as hard fraud.

A person convicted of insurance fraud can be sent to jail for up to five years, with or without hard labor, and/or fined up to five thousand dollars for each count of insurance fraud. Insurance fraud, whether a little white lie on an insurance claim or a large planned scam that targets a particular group of consumers, is a crime. Insurance companies have increased efforts to investigate potentially fraudulent insurance claims.

Special Investigation Units operate to insure that insurance fraud is detected and criminals are prosecuted. With new techniques to catch criminals, consumers should know that committing insurance fraud will result in the likelihood of getting caught which could result in heavy fines and/or jail time. The courts are making public examples of these crimes by posting convictions in the newspapers and online, as well as issuing community service designed to invoke shame and humility.

No one will know? Wrong – sooner or later, you will be caught. Claims handlers in Louisiana are trained specifically on how to weed out fraud while still providing excellent customer service – you won't even know they suspect you. However, a criminal investigation may be opened and your case could be turned over to the police and district attorney for prosecution.

The Louisiana Automobile Theft and Insurance Fraud Prevention Authority (LATIFPA), along with other programs in Louisiana, specialize in giving law enforcement and prosecutors the tools they need to discover and prosecute fraud to the fullest extent of the law.



Insurance companies are turning to advanced computer tools which spot the patterns that fraud leaves behind. Fraud is getting easier and easier to discover and prosecute. If you are caught, your claim will be denied; you may face a felony conviction and may not be able to get insurance coverage for you or your family when you need it the most.

# Reporting Insurance Fraud

Insurance Companies, insureds and repair shops all have rights and obligations when it comes to reporting or preventing fraud. Any individual or company representative who believes that a fraudulent claim is being made has the obligation to report the information.

Insurance companies are obligated to report any fraudulent activities they receive or become aware of to the Fraud Division of the Department of Insurance within 60 days.

The law protects persons who report suspected insurance fraud by granting them civil immunity. That means a person who reports suspected insurance fraud to the Fraud Division has a legal defense against any lawsuit for libel or slander unless it can be proven that the report was made with malice, fraudulent intent or bad faith.

If you believe your insurance company has improperly refused to issue or renew your policy, or refused to pay all or part of a valid claim, you should ask questions first and then complain if necessary.

Your first step should be to contact your producer or company representative. Many times a mistake has been made and will be corrected upon inquiry. When contacting your producer or company, give them your name, address, telephone number, policy number, type of policy and the nature of your problem.

If you do not receive a satisfactory response from your producer or company, you may need to file a complaint with the Louisiana Department of Insurance.

If, after receiving a complaint, the consumer affairs representative determines that there is a possibility of fraud, it will be referred to the Louisiana Department of Insurance Fraud Division. If you have a concern about your insurance, or know of insurance fraud going on in your area, please contact the Louisiana Department of Insurance Fraud Division at (225) 342-4956.

# YOU MAY REPORT INSURANCE FRAUD TO THE LDI FRAUD DIVISION BY:

## ONLINE:

[www.ldi.la.gov](http://www.ldi.la.gov)



## PHONE:

225-342-4956



## MAIL:

Attention: Fraud Division  
Louisiana Department  
of Insurance  
Post Office Box 3096  
Baton Rouge, LA 70821



**For more information on the prevention of auto  
theft and insurance fraud, contact LATIFPA:**

225-342-9468

[www.ldi.la.gov/latifpa](http://www.ldi.la.gov/latifpa)

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