

COUNTERING FRAUD IN INSURANCE

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U.S. Perspective

- What is Insurance fraud?
- Insurance fraud costs the American economy 80 to 230 billion dollars each year.
- Why is insurance fraud committed?
- Insurance fraud causes injury and humiliation.
- Studies have shown one in four people feel insurance fraud is okay.

Insurance Fraud Schemes

- Claimant Fraud
- Healthcare Fraud
- Organized Fraud Groups
- Insurance Agent Fraud

Claimant Fraud

- Staged burglaries and thefts
- Arson for profit
- Murder for profit
- Application fraud
- Workers compensation fraud



Healthcare Fraud

- Billing for treatment as payable when it is not payable.
- Charges inconsistent with services provided.
- Unlicensed personnel performing services.
- Illegally obtaining prescription drugs.

Organized Fraud Groups

- Collision schemes
- Medical identity theft
- Cargo theft
- Home arson

Insurance Agent Fraud

- Filing false claims with insurers
- Clean sheeting
- Backdating
- Kickbacks



Fraud Prevention Efforts

- Information sharing between insurance companies and government.
- Prevention programs for government and insurance companies.
- Insurance fraud awareness for the public.
- More pro-active project.

Information Sharing & Systems

- Pros vs. Cons
- Systems
 - IFB Fraud Alerts System
 - NHCAA PERC System
 - NICB's FOREWARN System
 - NAIC Life Insurance Alert System
 - National Equipment Registry
 - Cargo Theft Alerts
 - Law Enforcement Online

State Insurance Departments

- All states have insurance departments, but not all insurance departments have an Insurance Fraud Bureau.
- Fraud Bureaus investigate and fight insurance fraud.
- 44 States have dedicated Fraud Units, either within the Departments of Insurance (34) or other Agencies (10)

Administrative, Civil or Criminal Actions

State agencies may take a variety of actions when “bad behavior” is found:

- Administrative: internal agency, commissioner has authority, hearing officers assigned.
- Civil: court system, commissioner files a case against entity in state court.
- Criminal: commissioner asks prosecutor to take criminal action against individual or entity.

Enforcement on Fraud

- State and Federal working together.
- Conduct administrative investigations.
- Action is typically pursued against the individual/ entity involved.
- Fraud Units typically conduct criminal investigations.

Enforcement on Fraud

- The investigations usually focus on insurance agents, consumers, third parties, and healthcare providers who are committing insurance fraud.
- Fraud investigators frequently work with local, state and federal law enforcement agencies.
- Depending on state laws, criminal cases may be referred to local, state and federal prosecutors.

NAIC Antifraud Task Force Members

- Representatives from state departments of insurance represent their insurance commissioner.
- All NAIC members and their staff may participate, only Antifraud Task Force (AFTF) members may vote.
- Limited membership on task forces encouraged.
- Our members are very active and supportive.

NAIC Model Act

NAIC - Insurance Fraud Prevention Model Act - 18 USC 1033/1034:

- Enacted in 1994.
- Federal criminalization of insurance fraud.
- Increased participation from organized crime.
- Persons convicted of a felony crime of dishonesty or breach of trust cannot participate in the business of insurance without commissioner's permission.

Anti-Money Laundering

- The United States Federal Government has ultimate authority over AML and CFT activities:
 - Agency:
 - Financial Crimes Enforcement Network (FinCEN) of the US Department of Treasury
 - Laws:
 - The Bank Secrecy Act (BSA) of 1970
 - The Money Laundering Control Act of 1986
 - The Suspicious Activity Report Act of 1996
 - The USA PATRIOT Act of 2001



Thank You