

# Property & Casualty Insurance Fraud Encyclopedia

The Book of Schemes



Fraud Solutions **now.**<sup>SM</sup>

# Introduction

The NICB Insurance Fraud Encyclopedia provides insurance personnel with information to manage potentially fraudulent claims. In addition, the encyclopedia enables member companies to maximize their interaction with the NICB and take full advantage of all the resources available.

The information presented provides brief descriptions of various insurance crime schemes and example indicators of potentially fraudulent claims. This encyclopedia is just one of many NICB resources to help you fight fraud and theft. However, your experience and ability to recognize potentially fraudulent claims remains the crucial step in stopping fraud.

The information, indicators, action steps and schemes depicted here should not be construed to represent the totality of insurance crime. The variations of insurance fraud and vehicle theft are unlimited. The encyclopedia provides foundational information. Additional information is available and listed in each area's reference section. Also, the National Insurance Crime Training Academy (NICTA) provides web-based training on many insurance fraud topics.

**Disclaimer:**

The information contained in this encyclopedia has been gathered from various sources. The NICB provides this information as a service to our members. Any actions that you may take as a result of receiving this information should be reviewed by your respective law department. We believe that this document is accurate and useful; however, we make no representations as to the validity of the information beyond our belief as to its accuracy.

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## GENERAL

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## *Introduction/Background*

Application fraud is the misrepresentation of information on an application. This fraud is committed by individuals who submit applications that are incomplete and incorrect for the purpose of committing insurance fraud. They intentionally lie. Application information is often instrumental in providing proof of the intent to defraud the insurance company.

*Some types of material misrepresentation may include:*

**False personal information** – Social security number, date of birth, name, driver's license number

**Fraudulent vehicle information** – The VIN may be altered

**Addresses** – Non-existent or mail drops

**Identity Fraud** – Stealing an identity or making one up

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

The underwriter received an application with a lot of incomplete entries and a home address that was quite a distance from the insurance agency. In addition, the social security numerical sequence did not appear to make sense when compared to the applicant's stated date of birth.

## *Sample Schemes*

- Residential and commercial building damage – Old damage claimed – failing to disclose previous damage when filling out new insurance application information.
- Premium evasion – Not mentioning all drivers, particularly the teenage son or daughter. Drivers under the age of 21 would raise the cost of the insurance significantly.
- Obtaining insurance and then staging an accident.
- Obtaining insurance and then arranging to have your property/vehicle stolen.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Address of work or residence is not near the agency (if an in person application). \*\*
- Address is not permanent and may list post office box (mail drop), halfway house or friend's house as an address. \*\*
- Documentation is completed but returned unsigned or mails in the signed documentation which was not signed in agent's view. \*\*
- Unsolicited, new "walk-in" business, not referred by existing policyholder. \*\*
- Phone number is not provided or states they do not have a home telephone or cellular phone and/or they will contact the adjuster or agent. \*\*

**Potential Action Steps**

- Make copies of questionable documents and place them in the underwriting/agency file
- Routinely make legible copies of photo identification documents
- Do not accept incomplete applications
- Ask to actually look at vehicle before accepting application, even if person says it is not available
- Get a real (physical) address as opposed to the post office box or mail drop
- Ask why applicant came to your agency, document answer
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

**References**

**FraudSmart<sup>SM</sup> Training Programs**

- Application Fraud
- Identity Theft and Fraud
- Opportunities for Insurance Fraud

**Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)  
[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

## *Introduction/Background*

Rate evasion often involves consumers falsifying their state of residence to obtain auto insurance in a state where the premium rates are much lower. The consumer falsifies the location of their residence on the insurance application saying they live in the state with the lower rates when in reality they live in a state with much higher premium rates. Their goal is to fraudulently receive the lower insurance rates for their vehicle and then return to their “real” resident state where they operate their vehicle but don’t have to pay the appropriate premium.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

An accident claim is being processed and the claim adjuster notices the accident and all the repairs took place several states away from the address on the insured’s policy.

## *Sample Schemes*

- The insured (who lives full time in New York City) drives his/her vehicle to North Carolina, registers it with an address there and then obtains insurance at a much lower North Carolina rate while really housing and utilizing the vehicle in New York City.
- Another form of rate evasion is premium evasion – one method of evading the correct premium is not listing all the drivers in the household, particularly any teenagers. The insured knows the premium is based on the number of drivers with daily access to the vehicle and falsifies this information on the application to fraudulently reduce the premium rates.

*Indicators may exist in several categories; the following are examples:*

*Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)*

- Accidents, moving violations or points on their license were not disclosed (especially if recent).
- Accident occurs in a different state than the policy where there are higher limits and therefore higher coverage will apply to the claim. \*\*
- Address of a local business (e.g. bicycle shop, deli, etc.) is provided as the address to send insurance documents to instead of a residence.
- Number of vehicles is more than the number drivers listed on the policy.

## *Potential Action Steps*

- Ask for names of all drivers in a household
- Ask for employment information such as name and address of employer
- Routinely make legible copies of photo identification documents
- Do not accept incomplete applications
- Ask to actually look at vehicle before accepting application, even if person says it is not available
- Get a real (physical) address as opposed to the post office box or mail drop
- Ask why applicant came to your agency, document answer
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

## *References*

### **FraudSmart<sup>SM</sup> Training Programs**

- Application Fraud
- Opportunities for Insurance Fraud

### **Appropriate Fraud Indicators**

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## *Introduction/Background*

Identity theft is criminal misappropriation of another individual's identity. Identity theft involves stealing someone's personal identifying information (such as name, address, date of birth, social security number, credit card numbers, and driver's license numbers). Criminals who steal this personal information will use it to fraudulently obtain credit, money, goods, services and other property, including insurance policies. A variation of this is to invent or make up personal identifiers.

Upon falsely assuming an identity, thieves will commit crimes, including: opening phony bank accounts, stealing from established bank accounts, obtaining unauthorized credit cards, applying for car or house loans, leasing apartments with false names and obtaining insurance to make fraudulent claims (application fraud). A common variation is to file 3rd party claims under an assumed identity.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

The customer comes into the insurance agency with all of the documentation filled out. He has his driver's license and social security number available. The application for the insurance policy has already been signed. He wants to leave the documents with the insurance agent and leaves because he has a previous appointment. He will call back to get an update on the status of the policy later in the day. When the insurance agent works up the policy, he notices that the date of birth on the documentation reflects a person who might be younger than the applicant appeared, as well as a lack of historical information e.g., previous addresses, insurance, employers, etc.

## *Sample Schemes*

- A person obtains insurance with minimal information/identification and has a questionable accident almost immediately after coverage is bound.
- A 3rd party homeowner's claim where the claimant "tripped" on an exposed carpet seam and provides minimal information.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Documentation is completed but returned unsigned or mails in the signed documentation which was not signed in agent's view. \*\*
- Cannot produce or refuses to produce verifiable proof of identity. \*\*
- Past employers, past addresses, etc. not provided. \*\*
- Address provided is inconsistent with employment/income. \*\*
- Past claim questions are left unanswered.

### *Potential Action Steps*

- Verify driver's license information with DMV
- Verify SSN with Social Security Administration
- Obtain additional forms of ID
- Verify addresses
- If the claim is a first party claim, utilize the EUO clause
- Utilize public records/databases to verify addresses and other personal data
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Questionable Claims Submissions
- Listening Skills 1 & 2
- Application Fraud
- Opportunities for Insurance Fraud
- Identifying Fraudulently Altered & Stolen Vehicles
- Identity (ID) Theft/Fraud

#### **NICTA Training Programs**

- Identity Theft/Fraud

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

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## *Introduction/Background*

Money laundering is the “process” of putting ill-gotten gains into the mainstream of circulated money so it can’t be identified as money coming from criminal activity. It is called “money laundering” because theoretically, “dirty money” is cleansed by putting it into the legitimate stream of financial commerce.

The term “money laundering” originates from the U.S. where, during the 1930’s and 1940’s, it arose from the need to “launder” money generated through criminal activity. During this period, organized groups started to invest large sums of money in laundrettes that had become common and for which payment was only made in cash. This is where the terms “laundering or washing” the money came from. In this way, they could dispose of income from various criminal activities, and by mixing illegal money with money from the legitimate business, it would appear to the authorities to be legally generated income. While not as common, insurance policies can also be used to launder money.

There are several methods used to launder money. The ones that seem to be the most successful are well known to law enforcement. These methods vary: buying and selling everything from expensive objects like boats, cars and jewelry to channeling money through several different avenues such as large international companies, shell companies, banks and insurance companies.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

A previously unknown customer purchases a huge commercial policy on a building he owns and recently paid for in cash. After the policy is approved, the building burns down and the claim is paid in full.

## *Sample Schemes*

- An annuity is purchased and the full premium is paid with cash. The policy is then cancelled for a cash refund.
- Stolen goods are insured using fictitious receipts. “Arranged damage” is made to the property and then reported to the insurance company resulting in claims being paid.
- Funds derived from crime are used to purchase health care policies. Once purchased, “injuries” occur. Once the injury has occurred, a claim is made, the insurance company pays out a settlement and the money is laundered.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Insured and claimant are from the same family. \*\*
- Knowledge of insurance terminology although appears to be poorly educated. \*\*
- Multiple identities and/or social security numbers. \*\*
- Attorney “friend” has been consulted and he/she “knows” the value of the claim(s). \*\*
- Party or parties involved may be employed in professional law office, clinic, billing service organization or check cashing agency. \*\*

**Potential Action Steps**

- Contact the Office of Federal Asset Control (OFAC) to ensure compliance with OFAC regulations
- Be more aware and diligent regarding financial transactions
- Take the time to ask the right questions and adhere completely to the protocol your companies have written regarding underwriting standards
- Familiarize yourself with the indicators of potential fraud and develop counter-measures to combat these “red flags”
- Work with your claims department to develop protocols for dealing with claims of this nature
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

**References**

**FraudSmart<sup>SM</sup> Training Programs**

- Money Laundering and the Insurance Industry
- Underwriting and Application Fraud

**NICTA Training Programs**

- Investigating Organized Groups

**Appropriate Fraud Indicators**

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# NOMADIC GROUP ACTIVITY

## *Introduction/Background*

Nomadic group activity is the activity of related individuals who are engaged in the systematic and repetitive execution of fraudulent acts against the insurance industry.

Various groups of transient individuals, sometimes referred to as nomads or gypsies, are involved in a wide variety of alleged fraudulent claims. These claims include single vehicle collision losses, staged collision losses, theft claims, slip and falls, and comprehensive claims. Along with the vehicle losses mentioned, claims are submitted involving travel trailers/recreational vehicles, homeowner theft claims, and possible health/life insurance claims.

Male subjects and occasionally female subjects will travel to various U.S. states. Once in these states, they seek out independent insurance agents who represent numerous carriers, and purchase policies from them, for the shortest period available. Payment is always in cash and they provide an in-state address, however, information indicates that these are fictitious addresses. This information is apparently not verified or checked by the insurance agent at the inception of the policy and during the application process. It can be a mail drop or just an address they obtained while en route to the independent insurance agent's office.

Usually the claimant will be in a hurry to settle the claim for a variety of reasons. These reasons include: an illness in the family, moving, going to visit someone, starting a new job, etc. The claimant will refuse a recorded statement and will not meet face to face with the adjuster. They will provide a location of the vehicle and request that the vehicle be inspected there but will not meet face to face with the claims representative. On occasion, they have even requested the settlement check be sent to them via overnight delivery due to an emergency requiring them to be somewhere else on short notice.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

Mr. Subject travels to Iowa. He purchases a liability-only auto policy from an independent insurance agent for the shortest period available. The payment is in cash and he provides an in-state address. Mr. Subject reports an accident about 10 days after the policy is issued. When contacting the insurance company for the first report of the accident, Mr. Subject is quick to take full responsibility for the accident. He identifies the accident victim by name and advised her to call his insurance company. The victim informs the company that the police were called and started to take a report, but were called away to respond to an emergency call. The claimant is in a hurry to settle. She has requested that the settlement check be sent via overnight delivery because of an emergency in the family that requires her to travel to another state.

## Sample Schemes

### Property Damage

- Nomadic groups insure vehicle(s) with multiple companies and then stage an accident with a high value vehicle. They will establish clear liability, usually in rush hour on a busy highway. No police report is made. They will ask the adjuster to inspect the vehicle in a parking lot. They will file multiple claims with several carriers for the same alleged property damage. They use check cashing facilities or currency exchanges instead of banks.

### Homeowners Policy Claims/Personal Injury Cases

- Nomadic groups will move into an area by using fictitious names. They establish a residence and obtain homeowners insurance. They will create a hazard condition and invite a guest into the residence. The guest slips and falls on the hazard and insured takes full responsibility for the hazard. The claimant/guest then files a claim for medical treatment. The guest is part of the scheme.

Occasionally as part of the scheme, the nomadic group will obtain insurance drafts under false identities, depositing them into "business" accounts and funneling the money out of the U.S. and back through another country overseas.

### Slip and Fall Scheme

- Two ladies enter a large retail department store, they split up with one going down an aisle. She waits until she is alone and then takes a bottle of liquid from her purse and pours it on the floor. The second individual positions herself at the end of the aisle and the first person "falls" in the liquid. The second woman then runs to her aid and calls for assistance while telling everyone that she "witnessed" the fall of the first woman.

*Indicators may exist in several categories; the following are examples:*

### **Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Loss occurs soon after moving into area or acquiring insurance coverage. \*\*
- Premium paid in cash or by other non-traceable method (e.g. cashier's check or money order). \*\*
- Discrepancies in the insured's and claimant's statements concerning the reason for the claimant to be at the insured's personal residence.
- Losses include a large amount of cash.
- Substance slipped on is not usually found at that type of store (e.g. slipping on a French fry in an electronics store).
- Recently purchased/rented property or dwelling. \*\*
- Damaged property disposed of or repaired before adjuster can view damages.
- High-value items claimed as destroyed or stolen, with no documentation.

### *Potential Action Steps*

- Communicate between the SIU and front line adjuster
- Use of NICB agents to gather and correlate data
- Formation of task force
- Establish mail cover
- Review claims and databases in detail
- Start seeking financial records
- Set up test mailings of claims checks
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Staged Accidents
- Slip and Fall
- Application Fraud for Underwriting and Insurance Agents
- Opportunities for Insurance Fraud from Application to Policy

#### **NICTA Training Programs**

- Investigating Organized Groups
- Investigating Property Fraud
- Staged Auto Accidents

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

## *Introduction/Background*

Premium fraud is the deliberate, material misrepresentation of facts on a commercial insurance application for workers' compensation insurance regarding the premium basis, experience rating and/or classification of an insured's operation. These material misrepresentations are relied upon by the insurance company as facts and result in damages to the insurance companies (The company does not receive the premium it is due).

These types of cases can run into millions of dollars and can involve the Sales Agent (sometimes called Producer), insured, accountants, and even attorneys. The most difficult issue regarding these types of cases is the fact that premium fraud is a direct attempt by an insurance company's paying corporate customer to defraud them vs. the other types of fraud with which we are familiar.

*Some types of material misrepresentation may include:*

1. Misclassification of Job Codes
2. Experience Modifier Evasion
3. Payroll Evasion (Cooking the books or hiding payroll with other means)

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

A new claims rep assigned to process workers' compensation claims for a small construction company notices the number of people filing workers' compensation claims for construction-related injuries outnumber the total number of employees of the company. Upon calling the offices of several of the injured workers, three different companies answer the phone.

## *Sample Schemes*

### **Understating Payroll**

- This is the most common type of premium fraud. By saying the payroll is half its actual size, for example, the employer reduces by half the amount of premium the business must pay in advance to obtain insurance. Many new businesses claim that they did not anticipate at the time of application for insurance that their business and payroll would expand so rapidly (all of this is said after the fact). Businesses are obligated to report changes in payroll in a timely manner. But the longer the delay, the lower the premiums. One other scheme is to conceal the entire payroll from the insurer. This requires a conspiracy between two businesses engaged in the same type of work in the same general location. Company A pays their premium based on their payroll.

Company A agrees to let Company B submit all of its workers' compensation claims through A. In return, B pays half of A's premium. In other words, two payrolls are covered for the price of one. Of course, A's experience factors will rise and so will the premium. By then having B purchase the insurance and dropping A's coverage, the process can begin all over again. The only way to stop this type of fraud is to audit the company's payroll. But for smaller companies, the employer may get 30 to 90 days before such an audit occurs. Clearly, the sooner the insurer audit occurs, the better.

### **Fraudulent Misclassifications**

- Workers' compensation rates are based on what the business (not the employees) does, makes, or engages in. The premium for all the employees of a roofing company would be based on the roofing company rate, a bakery, the

bakery rate and so on. Most states, however, allow for three exemptions: clerical workers, outside salespeople and drivers. The premiums for these classes may be higher or lower than the general business rate. If the clerical rate is lower than the general rate, falsely reclassifying the roofers as clerical would reduce the premium significantly. In most businesses, such reclassification is easy to identify by simply inspecting the worksite or by looking closely at businesses where the clerical workers far outnumber other workers. Temporary help is also a problem. Since the business using the temporary help is required to pay the premium on that help, it can falsely classify them at the lower rate.

### **Agent Fraud**

- Agent fraud works in two primary ways: (1) pocketing the premium; and (2) delaying payment. The former constitutes grand theft and usually provides a paper trail. The latter involves delaying the premium payment to the insurer. The agent deposits the check in an interest-bearing account. He/she eventually forwards the premium to the insurer but not until interest has accrued. This is fraud because the money is not the agent's but the insurer's. The agent does run the risk that a worker will be injured before the coverage is bound. To get around this, agents will backdate the date on postage meters to predate the accident and submit the applications.

*Indicators may exist in several categories; the following are examples:*

### **Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Classification codes that are not on the application and have not been added by endorsement are present in submitted claims.
- Employer's version of the accident is inconsistent with employees' version concerning the type and location of the employees' duties.
- Employee disputes information supplied by the employer on the first injury report concerning location of the accident and/or the type of duties the injured worker has.
- Employer refuses to cooperate in the claims investigations (e.g. refuses to provide employee with claim form).

### **Potential Action Steps**

- Ask for the job description from the company
- Interview the claimant regarding exactly how the injury occurred
- Ask the employee for the address and phone number of "his/her" employer
- Ask how long he/she has worked there and what their occupation is
- Ask for payroll records or for the agreed wage when the employee was hired
- Ask where the incident took place and to speak with others at the scene. Interview everyone separately.
- Ask to see their safety record, check with OSHA
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### **References**

#### **FraudSmart<sup>SM</sup> Training Programs**

- Premium Fraud in the Workers' Compensation Market

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

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# ORGANIZED FRAUD ACTIVITY

## *Introduction/Background*

An organized group can be defined as any specific group, entity, or individual systematically and repeatedly conducting pre-planned activities for the purpose of generating fraudulent insurance claims or vehicle thefts.

Organized groups in the insurance arena will partake in almost every line of insurance such as bodily injury claims, vehicle thefts, vehicle repairs, life insurance, and product liability. Members of these groups form a large network that recruit claimants, set them up with medical facilities, body shops and/or attorneys and use the claims to generate millions of dollars annually.

When speaking about organized activity there is a set structure to this group often defined as a criminal enterprise. A criminal enterprise is defined as a group of individuals with an identified hierarchy, or comparable structure, engaged in significant criminal activity.

Organized activity fraud often begins in the first few minutes of an insurance claim. Once the claimant or claimants is/are recruited by the group and the claim is submitted there is intent to defraud the insurance company. When the proper forms are submitted and payment is made by the insurance company, the money being paid out for the fraudulent claim may mean that there will not be that money available to pay those that submit legitimate claims.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

Bob Capper recruits Polly Participant to help him cause an auto accident. He loans her a car to drive and arranges for three of his friends to join Polly in the vehicle on the day of the accident. Polly is driving in somewhat slow moving traffic in a nice area; she notices the vehicle behind her driven by Ima Victim is a relatively new Mercedes. A few minutes later, Polly slams on her brakes causing Ima to rear-end her. There is little damage to Polly's car but all passengers and Polly are complaining of head, neck and back injuries. Ima Victim has not sustained any injuries in this accident. Polly then reports back to Mr. Capper, police report in hand and he directs her and the three injured passengers to the medical clinic with which he is working. When the injured parties arrive at the clinic they are then referred to an attorney...

## *Sample Schemes*

### **Staged Accident**

- A member of a group will purchase an insurance policy with a carrier in the United States with minimum insurance limits. The insured then enters Canada and allegedly stages an automobile accident. Canada allegedly overrides the United States carrier Personal Injury Protection limit of \$250,000 to each injured person, thus allowing the perpetrators access to large sums of bodily injury monies.

## Vehicle Theft

- A vehicle owner would deliver his/her car to a so-called “middleman” with the understanding that the middleman would then dispose of the vehicle. The owner would then falsely report the car stolen to the police and file an insurance claim for the “theft.” In turn, the middleman would deliver the car to a garage, body shop or salvage yard where the vehicle would be “taken care of” the middleman would then receive a fee based upon the condition of the vehicle. In cases where the vehicle is chopped up or destroyed, the middleman would give the garage owner the vehicle keys with the understanding that the keys would be returned within a week so that the car owner could return them to their insurance company as evidence of the vehicle’s “stolen” nature.

## Glass Shop

- Organized glass shop operations will use “glass claims harvesters” who approach vehicle owners, inspect their windshields and offer to fix or replace them for free whether or not the glass is damaged. Once the vehicle owner agrees to the deal, the harvester will subcontract the windshield replacement with another, less expensive glass company and turn a profit from the consumer’s insurance claim. Some of the more aggressive harvesters will even offer vehicle owners incentives, such as free car washes, free steaks, or cash to replace windshields that are not in need of repair. Some harvesters, once they obtain the vehicle owner’s policy information, will impersonate the insured and submit multiple glass claims. Others will repair windshields and then claim them as replacements, or claim more repairs than were actually done.

## Product Liability

- In a case of glass shards, a husband and wife team had a history of swallowing broken glass and claiming the shards were lodged in food they bought at restaurants, bars and grocery stores. These individuals were treated at hospitals for glass ingestion at least a dozen times. The couple avoided detection by using a variety of aliases, backed by phony ID and Social Security cards.

*Indicators may exist in several categories; the following are examples:*

*Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)*

- Unsolicited, new “walk-in” business, not referred by existing policyholder. \*\*
- Employment started shortly before accident occurred.
- Vague on the actual facts of the loss or has discrepancies in the facts of loss.
- Address of the insured and claimant has been the same in the past. \*\*
- Premium for auto policy was never paid, check returned for Non-Sufficient Funds or credit card declined. \*\*
- Losses occur just before/after coverage takes effect, just before it ceases, just after it has been increased, or after a cancellation notice has been sent.
- Witness is the same witness appearing in prior claims (often with other insurance companies and with similar circumstances). \*\*

## *Potential Action Steps*

- Look for name variations. In many cultures the first name is actually the last name or the given names can be thought of as first or last names. The members of these groups will interchange first, last, and sometimes middle names in order to make it appear as if you are dealing with different people
- Check to see if friends and relatives appeared in other claims with the insured. They could have been in different roles such as insureds, claimants, passengers or witnesses
- Run searches on all addresses, search on broad terms such as a street name to see if there are a series of claims in a given area. Rings will often operate in an area that they are comfortable in, such as the neighborhood where they live
- It may seem insignificant but a zip code will give you an area in a city where the ring may be operating. There was an instance where multiple claims were identified by zip code
- Routinely make legible copies of photo identification documents
- Do not accept incomplete applications
- Physically inspect windshield to determine it was actually replaced
- Ask for and scrutinize billing receipts
- Contact insured to determine if glass repair or replacement was done on their vehicle
- Verify vehicle was reported stolen to police and check for prior claims on the vehicle
- Establish a motive; financial, mechanical or domestic
- Ask to actually look at vehicle before accepting application, even if person says it is not available
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for Claims in ISO ClaimSearch

## *References*

### **FraudSmart<sup>SM</sup> Training Programs**

- Organized Fraud Activity
- Staged Auto Accidents
- Slip & Fall Claims
- Worker's Compensation Fraud
- Vehicle Theft
- Direct Repair Body Shop Fraud

### **NICTA Training Programs**

- Investigating Organized Groups
- Body Shop Fraud
- Investigating Vehicle Theft Fraud
- Worker's Compensation Fraud
- Staged Auto Accidents

### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

## Casualty

- 20 Bodily Injury Fraud
- 22 CPT Codes and Medical Reports
- 24 Durable Medical Equipment Fraud
- 27 Low Impact Soft Tissue (LIST)/  
Minor Impact Soft Tissue (MIST) Claims
- 29 Medical and Legal Aspects of Bodily Injury Claims
- 32 Personal Injury Protection (PIP) Claims
- 34 Staged Auto Accidents
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## *Introduction/Background*

Bodily injury fraud occurs when someone purposely fakes or exaggerates an injury to collect insurance benefits. Common ways of faking an injury range from intentionally stumbling over a cracked sidewalk, to tripping over a toy at a neighbor's house, to slipping on a wet floor at a restaurant (injuries related to a vehicle accident are covered in another section). Real injuries are often exaggerated to receive unwarranted extended care and/or benefits.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

The store owner reported a customer had slipped and fallen in an isolated part of the store on a liquid the owner didn't recognize. The injured party didn't want a lot of money, but wanted it in a hurry because he was traveling and didn't want to be delayed.

## *Sample Schemes*

### **Slip and Fall**

- Slip and fall scams are among the most widely practiced types of insurance fraud.
- A group of individuals will allegedly stage slip and fall accidents and file false claims.
- Some schemers will go to great lengths to orchestrate these phony falls. Many carry water bottles to squirt the floor and prime the pavement for the planned accident. Some will skin or even break their knuckles to make the damage from the fall look more real. Others have even injected fake blood up their nostrils with syringes to make noses look broken.

### **The Break**

- Some con artists will take advantage of a new or existing injury to make a bogus claim. One scenario goes like this: A person recently broke his/her leg; an accomplice cuts off the cast and drives the injured person to the hospital; they later file a false insurance claim for an accident at your insured's property. Others will add a past injury (like a back injury) to a new injury claim to increase the monetary amount of the claim.

### **The Yank Down**

- Some insurance perpetrators purposely pull display items or store merchandise on top of themselves and then file an injury claim resulting from the "fallen" product.

### **The Big Trip**

- Others will take advantage of a broken or obstructed sidewalk or stairway to make a bogus claim. For example, the con artist may claim to have tripped over a child's toy left on a stairway and then sue the homeowner for damages.

### **The Chew and Sue**

- This scam involves claims against "dangerous" food products. The hungry schemer will claim that ill-prepared food caused physical injury (e.g., broken glass in salad, chicken bone in soup) and then submit a bodily injury claim.

### **“Props” to Inflate Claims**

- “Props” are the tools some cons use to pad their claims. For example, some may claim that when they fell, they also broke their expensive camera or glasses. Sometimes claims or past injuries are added to new claims to help boost the payback.

*Indicators may exist in several categories; the following are examples:*

### **Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Employment started shortly before accident occurred.
- Lost wages verification with the employer raises doubts about employer’s legitimacy, or about the actual employment of the individual.
- Unusually familiar with insurance terms or procedures such as - medical terminology, workers compensation claim handling procedures and laws, vehicle repair terminology, coverage and special limits. \*\*
- Threatens to obtain an attorney or go to a physician for further medical treatment if the claim is not quickly settled (but may delay doing so). \*\*
- History of reporting subjective injuries.
- Slip and fall occurred at a commercial establishment or other public place.

### **Potential Action Steps**

- Ask lots of questions, obtain the medical reports, index the claimant and the medical providers
- Ask the claimant to provide positive identification like utility bills with the name and address alike on all submitted
- Ask the store manager if there is a surveillance tape or if he/she has seen the person in the store before
- Check to see if the claimant was driving a vehicle, get the license number
- IME (independent medical exam) on suspected exaggerated claims
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### **References**

#### **FraudSmart<sup>SM</sup> Training Programs**

- Medical Legal Aspects of Bodily Injury Claims
- Slip and Falls
- Workers’ Compensation Fraud
- CPT Codes
- PIP Claims and Insurance Fraud

#### **NICTA Training Programs**

- Casualty Fraud
- Investigating Organized Groups
- Workers’ Compensation Fraud

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

## *Introduction/Background*

CPT is an acronym for Current Procedural Terminology and it is defined by the American Medical Association to describe office visits and procedures. They are part of the larger group of evaluation and management codes that define the level of medical evaluation and the medical management that the patient requires. The CPT code that is reported is determined only by the treating medical professional, not a receptionist or secretary.

The CPT code determines the amount of work the doctor performs, the amount of judgment he/she used and the medical risk of the diagnosis.

*Most commonly abused of CPT codes are:*

1. New Patient or Initial Exam
2. Established Patient
3. The Consultation

CPT codes are found on the medical bills. They are used to describe the procedure and have very specific rules of how they are used. Unfortunately, they are often misused to justify higher dollar bills. The “new patient” codes (99201-99205) are often abused because they equate to the higher dollar amount for billing purposes. The most “abused” is 99205 which represents the highest degree of medical management and evaluation on the part of the doctor and the highest degree of risk of morbidity for the patient.

Other codes are also abused: misuse of established patient codes, X-ray codes and consultation codes are among these. It is very important the claim representative be very versed in the proper use of CPT codes.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

Tom strained his back working on his car. He goes to his chiropractor complaining of “severe back pain” and an inability to bend or lift. The chiropractor sees him and orders X-rays and many other modalities. The result of the evaluation is a “strained back.” When he bills the insurance company the chiropractor charges the visit as a 99205 even though Tom is an established patient.

## *Sample Schemes*

- Inflated Billing – The most common type of medical mill is when a health care provider purposely miscodes diagnoses and inflates bills in order to get more money from the insurer (with or without the patients’ knowledge)
- Use of the “new patient” codes for established patients
- Self referral of consults
- Unbundling of procedures to create higher billing for individual treatments

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Bills for E&M provide little or no detail but the CPT code billed reflects an office visit of high complexity, comprehensive history/exam, etc. \*\*
- Treatment which is usually not associated with the particular diagnosis/ICD code.
- CPT codes appear “inflated” or “up-coded”. \*\*
- Reports for initial exams, follow-ups, consultations, etc. provide little or no detail, but the CPT code billed reflects high complexity, comprehensive history/exam, etc. \*\*
- Multiple treatment procedures are billed using separate CPT codes when there is a CPT code that includes all of the billed procedures. \*\*

**Potential Action Steps**

- If you do not understand what you are being billed for, call the medical provider and get an explanation. Ensure the CPT codes being used follow the rules for their use.
- If it still doesn’t make sense, get an independent medical examination (IME)
- Interview the claimant
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

**References**

**FraudSmart<sup>SM</sup> Training Programs**

- Medical Legal Aspects of Bodily Injury Claims
- Staged Accidents
- CPT Codes
- PIP Claims and Insurance Fraud

**NICTA Training Programs**

- Introduction to CPT Codes in Medical Billing Fraud

**Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

## *Introduction/Background*

Durable Medical Equipment (DME) is primarily used to serve a medical purpose. It is defined as: items or appliances which can withstand repeated use; are most useful to ill, injured and disabled people; are appropriate for home use; and are necessary for one or more daily living activities. DME is also known as:

- Home care products
- Medical supplies
- Durable goods

## *The DME Cycle*

DME fraud can occur during what may otherwise be a series of legitimate events as a patient seeks medical treatment for an injury or illness. In a legitimate course of business, the “DME cycle” includes several sequential stages.

The medical provider prescribes durable medical equipment following the initial exam. His/her staff prepares a letter of medical necessity. The prescription and the letter are forwarded to the DME supplier, if not already on hand in the office. The order is then filled by the supplier from its inventory and has the wholesaler ship the equipment directly to the medical provider. The item is provided to the patient. The supplier bills one of the following: the medical provider, insurance company or third party billing company that coordinates invoicing.

The recent growth in DME fraud has paralleled the growth of the legitimate DME industry. There are several factors affecting this trend.

Anyone can start a DME company. There is no special license, skill or credentials required. It is also easy and inexpensive to establish an online wholesale or retail DME business. And there has been an increase in consumer demand for pain management devices rather than prescription medications.

## *Sample Claim Scenario*

The claimant drives his two children to school. A vehicle swerves in front of him to avoid a street sweeper, causing the claimant to partially rear-end the swerving vehicle. There is no indication on the accident report of any injuries to the claimant. The following night the claimant begins to feel pain in his lower back and discomfort in his right foot. He visits a clinic the next day and an X-ray is taken of his right foot. The doctor does not see any problems and recommends the claimant visit the clinic’s chiropractor and physical therapist. The claimant’s insurance company receives a copy of the initial medical report from the treating physician at the clinic who indicated the claimant suffered from the following symptoms: neck pain and stiffness, restriction of neck motion, left foot pain and left shoulder pain. These symptoms clearly were not related to the claimant’s reason for visiting the clinic.

The day after the X-ray, the claimant visits the clinic’s chiropractor and physical therapist that examined him and asked questions, but did not prescribe treatment. But before leaving the clinic, the claimant received a car seat cushion from the clinic manager. The treatment plan written by the treating physician indicated ten separate medical procedures. One included the use of four different medical supplies (cervical pillow, lumbar cushion and heating pad). The claimant’s insurer was eventually billed \$524.65 for the supplies; obviously the bill did not coincide with the claimant’s statement of only receiving a car seat cushion. The total cost for the billed items should have only tallied \$80–220.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Schemes*

### **Phantom Company**

- The only place this company exists is in someone's imagination. Someone simply spends all their time creating and sending bills.

### **Luxury-or-Else**

- DME provider tries to maximize profits by offering DME equipment with enhancements that are superior and thus more expensive. When the more expensive supplies are prescribed, the doctor gets a kickback from the supplier.

### **Altered/Duplicated DME Invoice**

- DME providers alter or fabricate wholesale invoices to justify inflated equipment and supply prices.

### **Altered or Fake Prescription**

- Alter doctor prescription by adding items or extending duration of patient need.
- Some doctors give DME companies a supply of blank prescription pads and a list of patients.
- Two DME suppliers share patient names and both submit bills to insurance company. At least one company will be paid, maybe both.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- DME given to all injured persons is the same regardless of diagnosis. \*\*
- DME is dispensed without instructions for use. \*\*
- DME bill shows charges for equipment not in the doctor's order or patient's receipt.
- DME bill shows markups for equipment in excess of your state's standards for such markups.
- DME billed for multiple patients is the same. \*\*

### *Potential Action Steps*

- Examine letters of medical necessity for signs of template use
- Contact prescribing physician when expensive equipment is prescribed to determine if less costly alternatives exist
- Conduct business background checks on unknown DME suppliers to determine if they actually exist
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Durable Medical Equipment Fraud
- Medical Legal Aspects of Bodily Injury Claims
- CPT Codes

#### **NICTA Training Programs**

- Introduction to CPT Codes in Medical Billing Fraud

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

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# LOW IMPACT SOFT TISSUE (LIST) / MINOR IMPACT SOFT TISSUE (MIST) CLAIMS

## *Introduction/Background*

Most insurance companies dealing with Low Impact Soft Tissue (LIST) and/or Minor Impact Soft Tissue (MIST) files realize these claims are filed by individuals who recognize that they are involved in a situation that could result in them receiving a substantial payout by the insurance company. Everything escalates: the damage to the vehicle, the injuries sustained, the dollars demanded, the length of time off and the difficulty you will have in bringing this claim to a resolution.

What types of injuries are most common?

Any soft tissue injury or subjective injury: whiplash, back problems, neck and spinal problems, headaches, psychiatric symptoms, etc.

LIST and MIST files deal with low impact vehicle accidents that are usually legitimate and wind up with the driver taking advantage of a liability situation. The LIST/MIST accident differs from the usual suspect events (staged accidents) because they usually only have one person in the car and the accident is usually a legitimate one being taken advantage of.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

Mary is on her way to work. While waiting at a red light, she is rear-ended by the vehicle behind her. The damage to her vehicle is minimal and she states she is not injured at the scene. When she arrives at work, she decides to call and tell the insurance adjuster that she has a sore neck and wants to go to the doctor. She leaves work and sees her doctor, who takes her off work for a week. The week off turns into several and Mary is reporting a lot of pain and suffering going from provider to provider.

## *Sample Schemes*

### **The Accident**

- Legitimate accident with chasers and runners
- After accident, prolongs chiropractic care
- After accident, claims lost wages and temporary total disability (TTD)

### **Elements**

- The first element is the minor damage to the vehicle. In a minor collision between vehicles, major damage will not occur. It is very important to have the vehicle checked out so that the damage can be evaluated realistically. Collision experts are able to look at the damage sustained and tell how fast the vehicle was traveling when the collision occurred.
- It is very unlikely that a claimant would be severely injured in an accident resulting in a low impact to the vehicle. The low impact combined with the reported injuries should raise some questions.

- Slow moving vehicle or vehicles with single occupant
- Police report does not indicate injuries

### **Liability of the Insured**

- Your investigation should look into any possibilities that the insured could be held accountable, i.e.: following too close, no use of signals, bad brakes, mechanical problems, DUI, etc.

*Indicators may exist in several categories; the following are examples:*

### **Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Insured, even though legally liable for auto accident, is adamant that claimants were responsible for the accident. \*\*
- Multiple passengers in the vehicle claiming the same type of injuries. \*\*
- Witness is over eager and is too willing to be involved and/or accept blame for an accident. \*\*
- Location of reported auto accident with injuries occurred on private property near residence of those involved.
- Vehicle was struck by a rental vehicle soon after the rental had occurred. \*\*

### **Potential Action Steps**

- Bio mechanical analysis
- Independent medical examination (IME)
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### **References**

#### **FraudSmart<sup>SM</sup> Training Programs**

- Introduction to Insurance Fraud
- Managing LIST/MIST Claims
- Medical Legal Aspects of Bodily Injury Claims

#### **NICTA Training Programs**

- Introduction to Insurance Fraud Investigation

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)  
[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

## *Introduction/Background*

Bodily injury fraud occurs when someone purposely fakes or exaggerates an injury to collect insurance benefits. These “fake” injuries are usually “soft tissue.”

A soft tissue injury is injury to the flesh, muscle and tissue; typically taking the form of sprains or strain to the neck, head, spine or joints. They are subjective and normally can't be proven or disproved conclusively. Soft tissue injuries can be drawn out for months – with no apparent improvement.

## *Unscrupulous Medical Providers*

Unethical 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.

### *What is a Medical Mill?*

A medical mill consists of medical professionals – at times working with attorneys and recruiters – who rip off patients and insurance companies through unethical and fraudulent billing practices.

There are several types of medical mills. The degrees of fraudulent involvement in a medical mill often depend on the amount of risk a medical professional is willing to take. They often involve referrals to or from a law office.

*The most common types are:*

- **Fraudulent Physician**

In this type of crime, everything is fabricated, from the doctor who fakes his or her credentials, to the bills and the office itself. Since patients with bogus injuries are often recruited, these offices contain little or no medical supplies and actual treatment is rarely prescribed.

- **Double-Dipping Doctor**

While this type of medical mill provides health care services, treatment methods are frequently excessive, redundant or unnecessary. Patients are occasionally overcharged for services or billed for services never rendered. Bogus claims for treatment are then submitted to insurers for payment.

- **Inflated Billing**

The most common type of medical mill is when a health care provider purposely miscodes diagnoses and inflates bills in order to get more money from the insurer (with or without the patients' knowledge).

## *Unscrupulous Legal Providers*

Dishonest attorneys purposely funnel patients to corrupt doctors or knowingly represent accident victims who are filing false or padded insurance claims. Participants in the fraud often include other employees of the law office.

- Attorneys who are involved in organized medical mills profit by getting kickbacks from clinics. There may just be one law firm or attorney or there may be several. In a ring situation, they may also take part in the ordering of medical tests and by suing the insurer.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

The claimant began seeing the chiropractor following a vehicle accident. Before the claims representative has an opportunity to call the claimant, a letter from a law firm arrives indicating that the claimant is represented for this injury. Both the chiropractor and the law firm representing the claimant are in the ISO ClaimSearch Database and are listed together multiple times.

## *Sample Schemes*

### **Staged Accidents**

- Staged accidents are normally associated with organized groups. For more complete information, please refer to “Staged Accidents” in the glossary.

### **Electro-Diagnostic Testing Scheme**

- There is a growing trend by mobile diagnostic testing companies of non-invasive electro-diagnostic testing such as Nerve Conduction Velocities (NCV’s), Somatosensory Evoked Potentials (SSEP’s) and Surface Electromyography (EMG’s). These companies appear to offer on-site services to chiropractors and medical doctors across the country.

### **Recruiting Schemes**

- Persons who work for attorneys frequently will come to accident scenes to hand out business cards for the law firm they represent. They are known as “cappers” and “runners.”
- Sometimes “cappers” and “runners” who work for specific law firms will attempt to recruit factory workers to file false injury claims just prior to a publicized layoff.

### **Attorney Involvement Scheme**

- Another scheme that is often attempted has the attorney threatening a law suit with huge pain and suffering demands if the case is not settled quickly.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- All or nearly all the injured individuals submit medical bills from the same doctor or medical facility and/or use same attorney. \*\*
- Treatment prescribed for all or nearly all patients is the same in spite of different accident facts. \*\*
- Accident is minor but produces major medical costs and often lost wages, household help, transportation and unusually expensive demands for pain and suffering. \*\*
- Representation is contacted/obtained immediately after the accident/incident/loss is reported. \*\*
- Weekends, holidays or other days the facility would not be normally open are shown as routine treatment dates on the medical bills. \*\*

**Potential Action Steps**

- If you do not understand what you are being billed for, call the medical provider and get an explanation
- If it still doesn't make sense, get an independent medical examination (IME)
- Interview the claimant
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

**References**

**FraudSmart<sup>SM</sup> Training Programs**

- Medical Legal Aspects of Bodily Injury Claims
- Staged Accidents
- CPT Codes
- PIP Claims and Insurance Fraud

**NICTA Training Programs**

- Introduction to CPT Codes in Medical Billing Fraud
- Staged Auto Accidents

**Appropriate Fraud Indicators**

# PERSONAL INJURY PROTECTION (PIP) CLAIMS

## *Introduction/Background*

PIP coverage (no fault) pays benefits without regard to fault to persons injured in auto accidents. Payments include reimbursement for medical expenses, lost wages, funeral expenses, and the cost of rehabilitation and replacement services necessitated by the injury. PIP is designed to reduce the litigation often arising from minor auto accidents in order to recover costs and expenses for the “not at fault driver.” By protecting the victim with PIP, there is no need to sue. PIP was designed to reduce courtroom crowding, insurance costs and aid the public at large.

However, PIP or no PIP, sometimes there is negligence involved in the accident and the victim should not be denied their legal rights to sue for some type of financial settlement. To accommodate this, these no fault states have no fault laws containing “tort thresholds” defining in terms of medical expense, days of disability or severity of injury, that determine when an injury qualifies for a liability claim or a lawsuit against the “at fault” driver. There are monetary thresholds and verbal thresholds.

Monetary thresholds are simply a dollar amount, usually from medical treatments, that has to be exceeded before a suit can be filed. Both have advantages and disadvantages. A disadvantage of monetary thresholds is that low (dollar amount) ones are easily met and lawsuits are filed anyway. The whole purpose of PIP is defeated. An advantage of a monetary threshold is that it is an objective concrete figure. It is either exceeded or it isn't.

Verbal thresholds generally state that when the injury has “far reaching disabling consequences” for the victim, a suit can be filed. An advantage to a verbal threshold is that although the dollar amount for medical bills may be low, the victim can still sue if the injury substantially changed their life. An example might be an amputated finger. The medical bills may be low relatively speaking, but the victim's life is changed forever. A disadvantage of verbal thresholds is the subjectivity involved in determining “far reaching disabling consequences.” You basically have to take the doctor's word for it. Besides fraudulently exceeding thresholds and suing, an insured (1st party) will also fake accidents and injuries knowing the PIP protection will force their insurance company to pay them for their various “losses.”

*Fraud in personal injury claims generally takes three forms:*

1. A legitimate accident where the injured party is exaggerating the extent of their injuries (see LIST and MIST claims).
2. A 1st party staged accident by an organized ring (vs. 3rd party staged accident claims in non-PIP states).
3. Legal/medical providers' involvement, fraudulently driving up costs and/or injuries to exceed the thresholds for the purposes of suing for pain and suffering.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

A claimant alleged that he has sustained an injury from a vehicle accident. The injury is a soft tissue injury. He seeks medical treatment from a chiropractor and goes to a pain management clinic. He is off work for several weeks. He sees several different doctors and has many tests and X-rays.

## Sample Schemes

- A claimant is involved in a vehicle accident and files a claim on a soft tissue injury. Claimant is unable to work and collects “lost wages” from the insurance company.
- A “concerned bystander” refers an individual who was involved in a legitimate vehicle accident to the law office where the bystander works. The attorney then sends the accident victim to a medical provider who proceeds to work up the claimant so that the thresholds are met. When the threshold has been met, a law suit is filed against the insurance company.

*Indicators may exist in several categories; the following are examples:*

### **Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Vehicle involved in “hit and run” injury loss cannot be identified. \*\*
- Mystery vehicle cuts off claimant’s vehicle causing the accident. \*\*
- Soft tissue injuries (often the same or similar) are diagnosed for all parties involved. \*\*
- Diagnosed injuries claimed are inconsistent with the description of the loss/accident (e.g. the injured person claims the vehicle was moving at an excessive rate of speed yet only soft tissue injuries claimed). \*\*
- Settlement with the insurer is initially agreed to by the claimant, but after retaining an attorney, the claimant complains of increased subjective injuries. \*\*

## Potential Action Steps

- Determine what kind of fraud it may be by looking for other indicators
- Conduct interview with claimant
- Query medical treatment and injuries
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

## References

### **FraudSmart<sup>SM</sup> Training Programs**

- PIP Claims and Insurance Fraud
- CPT Codes and Medical Reports
- Workers’ Compensation Fraud
- Managing LIST and MIST Claims
- Medical Legal Aspects of Bodily Injury Claims
- Slip and Fall Claims
- Staged Accidents

### **NICTA Training Programs**

- Investigating Organized Groups
- Staged Auto Accidents
- Workers’ Compensation Fraud

### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

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# STAGED AUTO ACCIDENTS

## *Introduction/Background*

Staging accidents is an activity that is almost always committed by organized crime groups (a ring). These rings vary in size and scope, however, they have several things in common: All of them are usually highly organized. Usually, these rings are controlled by one individual. Sometimes there may be several persons who are in a “management” type position within the structure of the ring, but they all have different job duties.

The ring is associated with law offices and/or medical clinics and doctors. There may be one of each or several of each. These facilities may or may not be in close proximity to each other. When doctors and attorneys are involved, the purpose is to make money through a high volume of bodily injury claims. Because of the high volume, there are usually many names and identifiers in the database that show up repeatedly. When you input your information, it will help you identify a ring.

*There are three types of staged accidents:*

1. The orchestrated accident (staged for show)
2. The “paper” accident (all on paper, no vehicle)
3. The “caused” accident

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

A third party files a claim indicating that she was in a vehicle accident. She states that a car cut her off and when she slammed on her brakes, the vehicle behind her hit her. She further stated that the vehicle that cut her off disappeared and the car behind her (your insured) was at fault for following too closely.

## *Sample Schemes*

### **Swoop and Squat**

- This bogus accident is orchestrated by a pair of perpetrators. A swoop vehicle suddenly cuts in front of a squat vehicle, forcing it to abruptly stop to avoid a collision. Unfortunately, a third unsuspecting motorist has little or no time to react and a collision between the squat car and innocent motorist occurs.

### **Drive Down**

- This scheme occurs when an unsuspecting driver tries to merge into traffic. The suspect driver yields and waives to the innocent driver to proceed with the merge. As the innocent driver merges, the suspect driver intentionally smashes into the victim and denies waving to the innocent driver.

### **Hit and Run**

- In this case, a suspect driver uses a damaged vehicle and claims to be a victim of a hit and run. Police are often called to verify the damage.

## Paper Accidents

- As the name suggests, paper accidents occur only on paper. An owner fabricates an accident report and vehicle ownership to collect insurance money for a vehicle with pre-existing damage.

## Side Swipe

- With the sideswipe, perpetrators target innocent drivers in a dual left turn lane of a busy intersection. If an unsuspecting victim in the inner lane drifts into the outer lane, the perpetrators intentionally force a collision.

*Indicators may exist in several categories; the following are examples:*

### **Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Facts regarding the accident are the same from each party, in many cases using the same exact wording. \*\*
- Claimant denies or has excuses for waving insured to proceed. \*\*
- Cannot recall where they were seated in the vehicle at the time of the accident. \*\*
- Previous connections are denied by the parties, but they are associated in prior claims.
- Parties involved in the accident know each other, work together, live together, are neighbors, or in the same geographical area or are from the same country or ethnic background. \*\*

### *Potential Action Steps*

- Identify all involved parties
  - driver's license and registration
  - record name, address, telephone number, DOB, Social Security Number, business phone number and occupation
  - relationship between occupants of both cars
- Compare VIN and licenses on all documents to ensure it is the same on all documents
- There are no letters "O," "Q" or "I" in a VIN, there are numbers "0" and "1"
- Vehicle history
- Owner
- Refer claim to your SIU and as a questionable claim to the NICB
- Check your claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Staged Accidents
- Medical Legal Aspects of Bodily Injury Claims
- CPT Codes
- Managing LIST/MIST Claims

#### **NICTA Training Programs**

- Casualty Insurance Fraud
- Investigating Organized Groups
- Staged Auto Accidents

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)  
[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

# WORKERS' COMPENSATION FRAUD

## *Introduction/Background*

Workers' compensation is a no-fault method of paying workers for medical expenses and wage loss due to on-the-job injuries – no matter what the cause of the injury. Workers' compensation laws vary with each state. Most states require 100 percent payment of medical and rehabilitation expenses for employees injured on the job and up to two-thirds wage-loss benefits (tax-free) while unable to work. In some states, the worker will receive job retraining and in cases of death, benefits for their families.

### **How does workers' compensation fraud affect business?**

False and exaggerated claims and premium fraud make workers' compensation fraud a huge drain on the American economy.

*Workers' compensation fraud also costs American businesses billions of dollars each year in higher premiums and hidden expenses, such as:*

- Production delays
- Retraining costs
- Equipment replacement costs
- In some instances, businesses have been forced to relocate to another state. Unable to afford the rising cost of insurance for their employees, some companies permanently close their doors.

### **How does workers' compensation fraud affect employees?**

*Employees also feel the effects from fraud in:*

- Layoffs
- Raise or new-hire freezes
- Company relocation
- Cutback in work hours
- Employer bankruptcy

### **How does workers' compensation fraud affect consumers?**

Simple – employers' increased premium costs mean that consumers will pay higher prices for goods and services.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

The employee is told by management that his job is being phased out and he is being laid off. Later in the day, the employee "falls" in the shop and claims that he tripped over a piece of hose laying on the floor and injured his knee. He is taken to an urgent care facility and is taken off work for several days. He files a claim for temporary disability and is out of work. Six weeks later, he sees an attorney and another doctor who writes an additional "off work" note indicating that the employee is now partially disabled. The employee is difficult to find and now is represented by counsel. He files for an adjustment of his claim with the state.

## *Sample Schemes*

- A workers' compensation claimant (college student) worked at a printing company at night for tuition money. The student along with a couple of college friends decide that they would vandalize the printing company and then have one of the friends shoot the claimant in order to claim a work-related injury.

- Several employees prior to a plant shut-down will conspire together to go off on workers' compensation disability before the plant closes, rather than obtain a severance package from the company.
- An employee may have a legitimate injury at work, but when he/she is released to go back to work, they start to enjoy being off of work so much, they will go "doctor shopping" or what is called "malingering" to get a doctor to claim that the employee is still unable to return to work to keep collecting money as long as they possibly can.

*Indicators may exist in the following categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Disgruntled, soon-to- retire, or facing imminent firing or layoff.
- Work done by the employee is seasonal and about to end.
- Protests about returning to work and never seems to improve.
- First notification of injury or claim made after employee is terminated or laid off.
- Family members also receiving worker's compensation benefits or other "social insurance" benefits (e.g. unemployment). \*\*

## **Potential Action Steps**

- Verify the employment application
- Social security verification
- Video surveillance
- Consider asking the co-workers and supervisors about the claimant's interests, such as sports leagues, membership in health clubs
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

## *References*

### **FraudSmart<sup>SM</sup> Training Programs**

- Workers' Compensation Fraud
- Medical Legal Aspects of Bodily Injury Fraud
- CPT Codes and Medical Reports

### **NICTA Training Programs**

- Workers' Compensation Fraud

### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

# PEDESTRIAN STAGED ACCIDENTS

## *Introduction/Background*

Pedestrian accidents have been occurring from the time the first motor vehicles were driven on roads. Why are pedestrian accidents becoming so worthwhile for fraud artists? Pedestrian accidents are not generally thought of as claims that are fraudulent, and second, there is no need for a pedestrian to have automobile insurance to collect no-fault benefits.

Since pedestrian accidents result in injury claims that lead to BI claims the same players that benefit from medical or No-Fault fraud also benefits from questionable pedestrian accidents. Those individuals that benefit include doctors, lawyers, and DME suppliers.

There are three different classifications for pedestrian accidents, the speed ratings are according to the Insurance Institute for Highway Safety.

- Low Speed Event
  - Limited energy transfer with a chance for injury to pedestrian
- Moderate Speed Event
  - Some physical damage to vehicle; probable injury to pedestrian
- High Speed Event
  - Vehicle damage apparent; high probability of death for pedestrian

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

A blue Chevy Cavalier is backing out of a parking space, using his rear view mirror he makes sure there is no object or person behind him. All of a sudden, the driver hears a loud noise. He looks in his rear view mirror again and sees a pedestrian with his hands on the trunk of his vehicle. The pedestrian claims he's been struck and injured.

## *Sample Schemes*

- A pedestrian will step in front of or fall onto the hood of your car while you are sitting at a stop sign. Obviously, the pedestrian does not want you to see that he/she will be hitting your car so they will typically wait until you are looking in the opposite direction before stepping out.
- Rings will stage accidents using individuals who pose as pedestrians or bicyclists. They pretend they have been hit by a motor vehicle, usually while an unsuspecting driver was backing out of a parking space. The cappers then refer the phony accident victims to no-fault clinics throughout the area. At the clinics, the phony accident victims receive treatment for their fabricated injuries.
- A pedestrian will walk into the side of the car, usually when the car is stopped at a light or a stop sign. Generally, when a pedestrian comes into contact with the side of the car (passenger door, etc.) the pedestrian will fall backwards away from the vehicle.
- There have also been cases where the vehicle was stopped in traffic and the pedestrian will lay down either behind the vehicle or in front of the vehicle and claim they were struck and injured.

Indicators may exist in the following categories; the following are examples:

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Injuries of the claimant are not consistent with the type of vehicle that allegedly struck them (e.g. lower bumper height and high leg injuries or vice versa).
- Description of accident by the injured person and his/her description of facts of the accident do not match accident scene.
- Treatment is not sought or received immediately for the injuries sustained in the accident, often waiting a day or two before going to the emergency room or other medical facility. \*\*
- Insured indicates that he/she was stopped and the pedestrian ran out into the street and punched the vehicle in order to simulate an impact. \*\*
- Accident occurred when the insured was making a turn.

**Potential Action Steps**

- Obtain a copy of the police report
- Obtain surveillance tapes
- Obtain report from bio-mechanical engineers who can take information provided by the pedestrian in regards to the facts of the accident, speed the vehicle was allegedly traveling and the injuries sustained
- Visit the location of the accident
- Interview witnesses
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

**References**

**FraudSmart<sup>SM</sup> Training Programs**

- Pedestrian Staged Accidents
- Medical Legal Aspects of Bodily Injury Claims
- Slip and Falls
- Workers' Compensation Fraud
- CPT Codes
- PIP Claims and Insurance Fraud

**NICTA Training Programs**

- Casualty Fraud
- Investigating Organized Groups
- Staged Auto Accidents

**Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

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## PROPERTY

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## *Introduction/Background*

Arson for profit is the crime of knowingly/intentionally setting fire to property to collect insurance monies or for some other type of gain. Rural, urban, commercial or residential buildings are targets for profit schemes. Vehicle arson is discussed in another section. There are several advantages afforded to the insurance industry when a fire investigation is conducted. The common perception is that all evidence is destroyed by the fire. However, a careful and thorough examination of the scene can/may yield evidence to determine the origin and cause of the fire and the person or items responsible for the initiation or the fire spread. Proving fraud is actually easier. The evidence of fraud exists as a paper trail involving the mortgages, financing claims documentation, and records maintained by state agencies, municipalities, suppliers, creditors, banks and credit card companies. Following is information on arson for profit claims.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

A business owner who recently checked his policy coverage suffered a huge fire at his business. His claim includes a very large inventory he has just purchased. The building was completely burned and its contents are a total loss. The owner did manage to salvage documents documenting the inventory and other contents. The fire alarm failed to go off and the cause of the fire is unknown.

## *Sample Schemes*

### **Commercial Arson**

- Commercial arson is motivated by profit or as a means to avoid losses. When a business' actual value falls below its insured value, burning the business becomes profitable.
- If business conditions change, such as a changing neighborhood, a bypass that diverts traffic, or new and vigorous competition, owners may burn their businesses to finance a move to a more profitable location. Since most commercial fire policies include business interruption coverage, the move can be assured of being financed. In order to take full advantage of this coverage, businesses may inflate their reported income after a fire.
- If a business is stuck with less than profitable inventory, it may use arson as a way to dispose of it and make a profit. In addition, by depleting stock prior to setting the fire, but claiming a full inventory after the fire, a business can profit. Even if the fire was not deliberately set, business or building owners will sometimes take advantage of the situation by altering receipts, providing receipts for items not lost in the fire, or by reporting goods never owned.

### **Residential Arson**

- Why would someone burn their own home/property or hire someone to do it? If a homeowner cannot sell their property, they may burn it for the insurance. Apartment dwellers may set a fire in a room they want redecorated, or in a closet to collect on old clothing. Such fires are amateur efforts and many residential fires are put out before the dwelling is totally destroyed. If the fire was planned, such items as television sets, appliances, furniture, expensive jewelry or clothing probably will not show up in the fire debris.
- A homeowner might burn his own home if the mortgage payments become too much.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Building and/or business were recently purchased before the fire. \*\*
- Building and/or contents or vehicle/vessel were up for sale at the time of the loss/fire.
- Business or insured is experiencing financial difficulties (e.g. bankruptcy, foreclosure).
- Fire site is claimed by multiple mortgages or chattel mortgages. \*\*
- Loss at the same site within the preceding year.

### *Potential Action Steps*

- Utilize all available reports; compare them for omissions and other types of misrepresentations
- If necessary and it is within your job description, hire your own Origin and Cause expert
- Be certain that you have a complete list of the inventory of the structure. Check the inventory provided by the insured with the information you find on the fire marshal's report and the police report.
- If things don't seem right, they probably aren't
- Clarify your information; hire a scene investigator or outside adjuster
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Property Fraud
- Arson for Profit
- Introduction to Insurance Fraud

#### **NICTA Training Programs**

- Introduction to Insurance Fraud Investigation
- Investigating Property Fraud
- Arson for Profit

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)  
[www.nicb.org](http://www.nicb.org)

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## *Introduction/Background*

A catastrophe is a single incident, or series of related incidents, causing insured property losses totaling more than \$25 million. Catastrophe insurance claims fraud includes inflated and totally fabricated losses, intentionally caused damages, claims for pre-existing damage and backdated policies. In a catastrophe situation, routine claims handling is anything but routine. The adjuster is under extreme pressure in very difficult working conditions. The claimants are under even more pressure and worse conditions. Insurance companies and their employees are also under extreme pressure. Today, catastrophes seem to be happening more and more and it will probably happen where you live and work. Often, people who make a living committing insurance fraud will take advantage of the unique "CAT" environment.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

An insured homeowner, in an area hit by a hurricane, files a huge claim suggesting nearly total devastation to his house. However, his address doesn't appear to be in the direct path of the storm.

## *Sample Schemes*

- Many people do not have the proper insurance coverage protecting them from a catastrophe (earthquake or flood coverage) due to high cost, high deductibles, oversight or risk-taking. But, when a catastrophe occurs, they want coverage so they find ways to cover the damages through their normal insurance coverage. For example, they claim the items were broken or stolen while being moved to a safer location after the catastrophe occurred.
- Flood damaged vehicles are often cleaned up and moved out of the area and sold at auto auctions without the dealer knowing the history of the vehicle. In the case of catastrophic events like hurricanes and floods, owners may clean the vehicles up and attempt to sell them without divulging the damage to a new owner.
- Property repair fraud involves unethical, incompetent and dishonest building contractors who employ a variety of illegal or questionable techniques. Some of these activities include collecting for defective or unperformed service, damage inflation, insurance fraud conspiracy, bribery of insurance adjusters and kickbacks. Insureds may conspire with the repairer to cover their deductible, upgrade their property or repair pre-existing damage or defects. Some repair companies are nomadic groups that travel from place to place looking to make a quick dollar. When a catastrophe hits, these unscrupulous nomads converge on the devastated area offering outlandish "deals" at unbelievable prices; often, the insured is convinced to pay "up front" and insurance companies will pay them back.
- A homeowner in an area hit by a hurricane borrows damaged, expensive items from a neighbor's home to claim as his/her own when the insurance adjuster comes to evaluate the damage.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Arrives at loss site without being solicited. \*\*
- Business/Contractor is not bonded or is underinsured. \*\*
- References can't be provided by the contractor. \*\*
- Cash for payment or down payment is required by the contractor prior to starting work. \*\*
- Dollar estimates for repairs are below market prices -"too good to be true". \*\*

### *Potential Action Steps*

- Verify identity and coverage before issuing checks to claimants
- Ensure damage/loss is in location of the disaster
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Property Fraud
- Opportunities for Insurance Fraud
- Catastrophe Fraud

#### **NICTA Training Programs**

- Investigating Property Fraud
- Catastrophe Fraud

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)  
[www.nicb.org](http://www.nicb.org)

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## *Introduction/Background*

Many hail damage claims evolve from vehicles/structures that were purchased with existing damage or claims that have been paid previously, but the damage was never repaired. This creates a problem for the investigator, since the hail damage is real, but the circumstances are fraudulent. With supporting physical evidence (actual hail damage), it may be difficult to dispute the circumstances of the claim. Additional investigative leads are available in hail damage claims where fabricated damage is suspected. In questionable hail claims, it is advisable to consult with an auto and/or structural damage appraiser for assistance in determining if indicators of fraud exist.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

Insured reports to his insurance agent that he sustained hail damage to his vehicle sometime last month. When the agent inspects the vehicle, he notes the hood is damaged, but not the roof. When he questions the insured, he cannot remember the exact date of the storm or how big the hailstones actually were.

## *Sample Schemes*

### **Siding Contractor Scheme**

- Often, within an hour of the actual hailstorm, siding companies can arrive in the area and start giving out samples of siding, sometimes using pieces of siding as business cards. These cards are thrown onto driveways or hung on front doors. After being contacted, the siding companies' sales pitch is: "How would you like new siding, compliments of your insurance company? No gimmicks." They capitalize on greed and convince the homeowner to participate in a fraudulent claim.

### **Delayed Reporting Scheme**

- The hailstorm occurs on April 7. On April 9, the previously un-insured property owner takes out a policy. Waiting several months, the claim is reported in June, with a date of loss of April 14. The claim representative finds storm damage. One of three things happens:
  1. The claim rep forgets the exact date, recalls the storm in April, and pays the claim.
  2. The claim rep recalls the storm was April 7 and questions the insured. Insured simply forgot the exact date of loss and says, "Gee, it could have been a week earlier."
  3. In a very rare case, the adjuster notes that the policy was not in effect on April 7 and sends the file for investigation.
- A claim is made on a vehicle alleging that it had received hail damage. The claims representative discovered that the damage is over the entire vehicle and consists of identical "dings and indentations." When examined, the windows are undamaged as is the middle of the roof of the vehicle.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Dents are the same size and depth (real hail dents vary in size) or all have similar markings at the deepest part of the dent.
- Dents look like hammer marks and/or are cuts rather than hail created dings.
- Pattern or spacing of dents is consistent all over surface rather than random.
- Damage from the hail, reported by the insured, is only on a specific part of the vehicle/structure or completely around/on all four sides of the vehicle or structure.
- Damage only appears on a specific part of the vehicle (e.g. hail damage to the hood but not the roof of the car).
- Documentation confirming prior damage has been repaired cannot be provided by owner.

### *Potential Action Steps*

- Consider the use of residential building engineers to evaluate the actual status of siding on a building, as it is difficult to determine recent siding damage
- Consult with an auto damage appraiser and re-examine the vehicle together. Most appraisers have extensive insurance and/or auto body experience.
- Conduct interviews
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Property Fraud
- Catastrophe Fraud

#### **NICTA Training Programs**

- Investigating Property Fraud
- Catastrophe Fraud

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

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## *Introduction/Background*

Mold is a type of fungus. Fungus is neither a plant nor an animal. There are two types of mold: good and bad. Toxic mold (mycotoxins) is the mold to be concerned with when dealing with mold claims. Prolonged exposure to toxic mold can cause serious health risks. Mold can be found in basements, bathrooms, living areas, ceilings, ventilation ducts and crawl spaces.

*Some types of injury caused by toxic mold (mycotoxins) may include:*

- Cellular injury
- Carcinogenesis – the production of cancer
- Immuno-suppression – suppression of natural immune responses
- Hepato-cellular carcinoma – a malignant tumor
- Aggravation of previously existing condition

*Some types of symptoms and conditions associated with mold exposure may include:*

- Respiratory symptoms
- Dermatitis
- Invasive infections
- Gastrointestinal symptoms
- Questionable pulmonary hemorrhage
- Headaches
- Body aches
- Sleep disturbance
- Depression
- Anxiety

*Mold “fraud” generally occurs in three forms:*

1. The homeowner discovers mold and tries to “add on” to the damage covered by the claim.
2. An inspector and/or contractor (with or without the owner’s knowledge) will increase the damage or inflate the damage to obtain higher remediation fees.
3. Organized insurance rings will purchase homes for the sole purpose of creating mold damage and filing extensive damage claims.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

### *Sample Claim Scenario*

The contractor referred by the inspector who discovered mold in the home informed the insured that they would have to leave the residence and placed them in rental property, which he owned, and charged the insurance company much more than the normal going rate for rent. Then the contractor found much more mold damage than previously discovered. The adjuster began to carefully examine the claim because the contractor had so many mold fraud claims going, he was showing up in ISO ClaimSearch Database as being associated with numerous questionable mold claims.

### *Sample Schemes*

#### **Water Mold Scheme**

- Suspects would purchase and insure several two-story homes. Pretending to be away for the weekend, suspects would intentionally flood the home with water hoses or by damaging water pipes. They would allow time for the mold to develop. The water lines would be repaired before the adjuster arrived. The suspects would then file claims for the damage to the home, personal property in the home, and also claim additional living expenses.

#### **Inspector Scheme**

- These scams involve so-called “mold inspectors” who will inspect the residence and in all cases find mold present. They will then convince the insured that he/she needs to file a claim with their insurance company. They will advise the insured that the mold needs to be repaired immediately, and in some cases advise them to move out until the mold is removed. They will elaborate on possible health hazards to the insured and their family. In most cases, the report submitted by the inspector is very vague as to the extent of the mold damage. Oftentimes these so-called “mold inspectors” will utilize inspection kits that can be easily purchased by anyone.
- Suspects might allow water to run freely in a home causing damage to walls and floors. Then they would turn on the furnace, close all of the windows and leave the house to “cook” for several days. When they return, the mold is readily apparent in all of the places that the water was allowed to accumulate. An inspector is then brought in after a claim is made with the insurance company. The claimant wants the insurance company to pay for additional living expenses while the home is being sanitized and cleaned.
- A scheme might involve homeowners who delay reporting mold in their basement/family room. When they finally file the claim, they ask for the entire basement to be redone.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Water damage is claimed with no visible entry point for the water.
- Inspection does not reveal a water source consistent with the areas damaged (e.g. water damage from an interior water supply line would be “clean” while water damage from an exit line of dishwasher or clothes washer, would likely show dirt and debris or other contaminants).
- Photographs and diagrams clearly depict water damages pre-existed the date of loss or damage was caused by long term leakage and seepage (not typically covered).
- Area claimed does not appear to be related to the water event as described (e.g. claims water entered through a window broken by wind, but claimed area is not near the window).

### *Potential Action Steps*

- A physical inspection of the property should be done as soon as possible once the insured has notified you
- Ensure mold damage isn't excluded in the policy
- All damage should be documented, along with a complete listing of every item of furniture in the house
- A complete photographic or video inventory of the interior of the house, along with all its contents should be done before any remediation work begins
- A search of public records should be conducted to determine ownership of the property, when the property was purchased and the purchase price
- A recorded or written statement from the insured should be taken as soon as possible
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch
- Check for any relationships between inspectors, contractors and temporary housing

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Identifying “Questionable” Mold Claims

#### **NICTA Training Programs**

- Mold Insurance Fraud
- Investigating Organized Groups

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)  
[www.nicb.org](http://www.nicb.org)

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# MYSTERIOUS DISAPPEARANCE CLAIMS

## *Introduction/Background*

Any claim in which the insured/property owner cannot provide specific or actual facts as to how the property was lost or taken, or provide information as to when it was lost or taken. It is not that the owner can't provide facts or information; it is that they can't provide actual facts or specific information. The problem lies in that it can be a plausible explanation without detailed information to check on. We don't know exactly when it was lost or if it was lost in the house or in one of many stores.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

Insured contacts his carrier and reports that he and his wife were preparing to attend a formal function. When he went to get his gold Rolex watch from his dresser, he could not find it. The insured also reported that his wife could not find her pearl necklace which had been in her jewelry case. Insured advised that they both wore the jewelry to a function a month ago and upon returning he placed his watch in his dresser and his wife placed her necklace back in her jewelry case. Neither had checked for the items until the other night. The insured advises he did not report any break-ins to the home during the past month, but did state that they had hosted a party at their home the previous weekend.

## *Sample Schemes*

- A homeowner will usually file a claim after discovering that property of value is missing from their home, from a vehicle parked at their home, or items discovered missing/lost during travel. In many claims these missing items will be scheduled property. By claiming the scheduled property lost or missing allows the insured to claim more than the normal policy limit.
- Business owners will file mysterious disappearance claims for inventory or other items kept on the premises that are lost or missing.
- Almost any item can be reported if the reporting party has a great imagination and can create a clever story for their loss. In many cases the property is reported missing shortly after an event such as a wedding or party at the insured's residence, or while being shown by a realtor.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Receipt originals, bank or credit card records not available and/or has lack of documentation (e.g. owner's manual, etc.) for loss/damaged property, recently purchased items, and high valued items. \*\*
- Place and/or date of purchase for newer items of significant value can't be remembered.
- Receipts are provided for inexpensive items, but no receipts for items of significant value.
- Photos of claimed property instead of receipts. \*\*
- Absence of individual or family at time of the incident when someone would normally be present.

**Potential Action Steps**

- Interview insured regarding the circumstances of the loss
- Review the policy for coverage
- If scheduled property is involved review any appraisals for the property
- Ask if policy limits were recently increased
- Ask if insured reported the loss to any other company or LE agency
- Obtain financial "authorization" to obtain financial record information
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO Claim Search

**References**

**FraudSmart™ Training Programs**

- Mysterious Disappearance Claims
- Property Fraud

**NICTA Training Programs**

- Investigating Property Fraud

**Appropriate Fraud Indicators**

## *Introduction/Background*

A property or vehicle owner buys insurance for their property or vehicle and then damages or destroys it to collect on the policy. There are many types of property fraud.

*Some types of property fraud include:*

- Water – Overflow
- Arson
- Theft – Enhanced/Inflated
- Natural Disasters
- Smoke
- Staged
- Burglaries

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

A claim rep receives a call from insured stating that his house was burglarized and several expensive items were stolen. The rep documents the information and in checking the insured's file, finds that the insured's coverage has just recently been increased.

## *Sample Schemes*

### **Burglary/Theft Fraud Schemes**

- In this type of scheme, the insured removes items from his/her business or home and then stages the "crime scene" to make it appear that a burglary has occurred. Once setting the scene, he/she contacts the police and reports the losses to his/her insurer. The property reported stolen could either be real or nonexistent. If nonexistent, the insured supplies his/her insurer with fake receipts or phony photographs of the items.

### **Commercial Arson**

- Commercial arson is motivated by profit or as a means to avoid losses. What can push owners into burning their own buildings? When a business' actual value falls below its insured value, burning the business becomes profitable.

If business conditions change, such as a changing neighborhood, a bypass that diverts traffic, or new and vigorous competition, owners may burn their businesses to finance a move to a more profitable location. Since most commercial fire policies include business interruption coverage, the move can be assured of being financed. In order to take full advantage of this coverage, businesses may inflate their reported income after a fire.

If a business is stuck with less than profitable inventory, it may use arson as a way to dispose of it and make a profit. By depleting stock prior to setting the fire, but claiming a full inventory after the fire, a business can profit. A variation on that theme is for the owner to leave a small portion of the inventory to provide suitable fire debris. Even if the fire was not deliberately set, business or building owners will sometimes take advantage of the situation by altering receipts, providing receipts for items not lost in the fire, or by reporting goods never owned.

When an owner decides to burn the business, he/she often uses a delayed ignition device so he/she can establish an alibi. Sometimes trusted employees or neighborhood delinquents are hired to set the fire. But if a number of similar fires are happening in an area, then this could be the work of a professional, a torch.

### **Residential Arson**

*Why would someone burn their own home or hire someone to do it?*

- If a homeowner cannot sell their property, they may burn it for the insurance.

- Apartment dwellers may set a fire in a room they want redecorated, or in a closet to collect on old clothing. Such fires are amateur efforts and many residential fires are put out before the dwelling is totally destroyed. If the fire was planned, such items as television sets, appliances, furniture or clothing probably will not show up in the fire debris.

### Water Damage Schemes

- Flood damage schemes are like arson, all the schemes played in arson for profit apply here. Owners may reduce or replace inventory and inflate the value. Business interruption coverage can pay for a move, or inflated values of the damaged equipment can pay for an upgrade.

### Purchasing Multiple Policies

- Owners of a mortgage company may finance the purchase of several properties, such as vacant single-family homes or empty stores to contractors. The mortgage company owners, of course, will know the contractors. The structures are simultaneously insured with several different insurance companies and one by one, the structures are burned. Then the insurance is collected from several companies on the same destroyed property.

*Indicators may exist in several categories; the following are examples:*

### **Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Commercial losses that primarily involve seasonal inventory or equipment, and that occur at the end of the selling season (e.g. a ski inventory loss in the spring or a farm machinery loss in the fall).
- Losses are over documented with a receipt for every loss and/or receipts for older items of property.
- Receipts (credit card) with incorrect or no approval code.
- Inventory of losses indicates unusually high number of recent purchases.
- Losses include a large amount of cash.

### Potential Action Steps

- Question insured/claimant about any discrepancies and document answer(s)
- Find out who gave the “gifts” to insured; interview those persons
- From whom did the insured inherit the items; contact insured’s siblings to verify
- Ask where money came from and ask for documentation, i.e., withdrawal slips, bank records indicating there was money
- Verify with store that appliances were actually bought or that the store actually sells the claimed items
- Question why taking a fur coat to Hawaii; jewelry was in auto; Rolex was left in restroom
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### References

#### FraudSmart<sup>SM</sup> Training Programs

- Property Fraud
- Arson for Profit
- Catastrophe Fraud
- Identifying “Questionable” Mold Claims

#### NICTA Training Programs

- Investigating Property Fraud

#### Appropriate Fraud Indicators

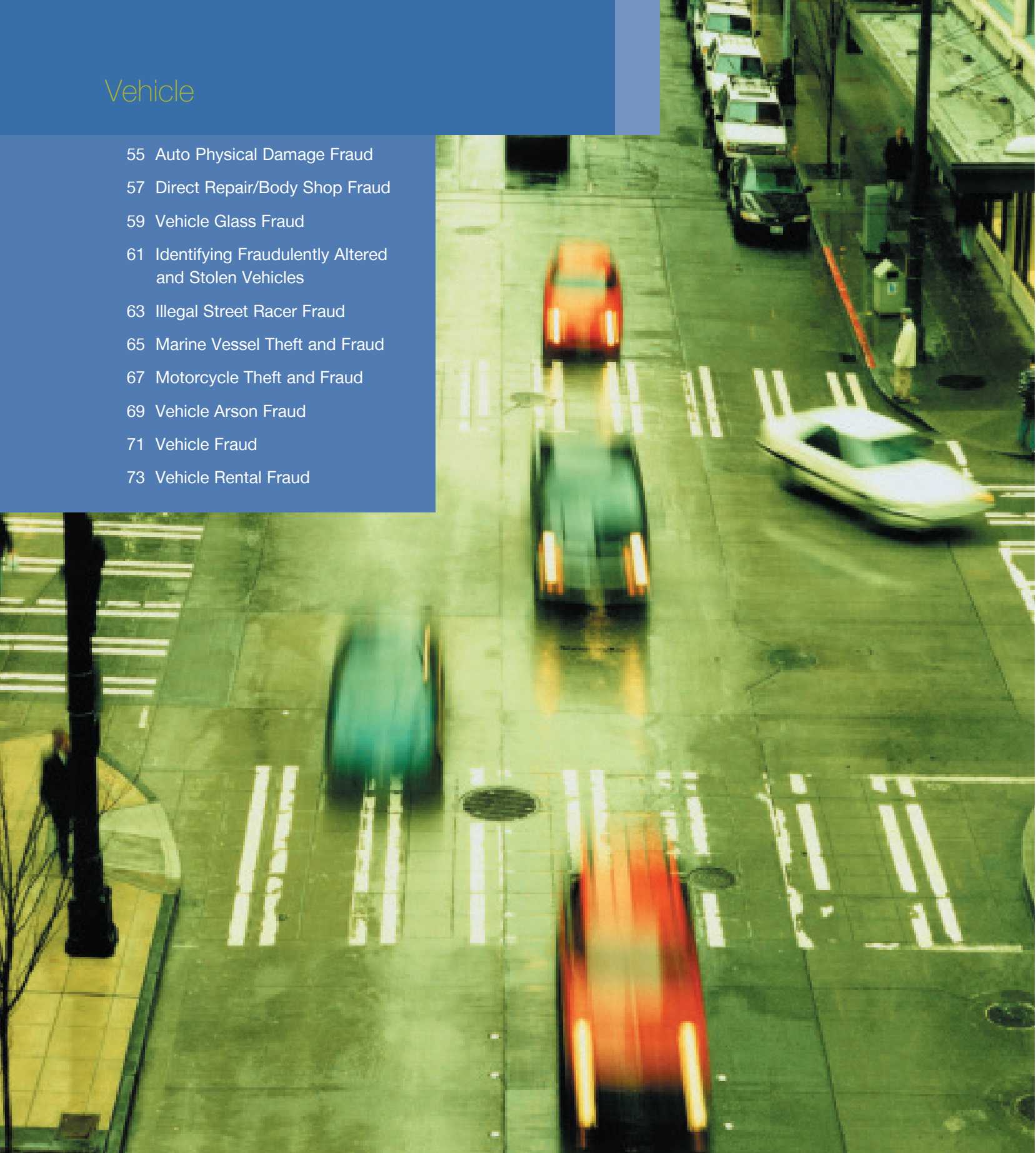
[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

## Vehicle

- 55 Auto Physical Damage Fraud
- 57 Direct Repair/Body Shop Fraud
- 59 Vehicle Glass Fraud
- 61 Identifying Fraudulently Altered and Stolen Vehicles
- 63 Illegal Street Racer Fraud
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- 69 Vehicle Arson Fraud
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## *Introduction/Background*

The investigation of auto physical damage (APD) claims consists of three types of schemes: staged accidents, paper accidents and damage repair inflation. The majority of these schemes are “low dollar” claims. Many of these will lead to organized group investigations. These groups make their money by filing fraudulent auto physical damage claims that sometimes include bodily injury. The individual APD claim is considered “low dollar” and usually paid. The bodily injury claims can be much more in dollar amount. The total value these criminal groups receive can add up to millions.

*The following sections provide examples concerning this type of insurance crime. Please see the reference to obtain more complete information.*

## *Sample Claim Scenario*

A claim is received for an unwitnessed phantom hit and run accident with a walk-in police report. The body shop has already repaired the damage and the damaged parts have been disposed of and are not available for inspection.

## *Sample Schemes*

### **Staged Accidents – (No police at scene)**

- This scheme involves the insured and the claimant. They may have orchestrated the accident themselves or they may have been coached by someone else, but they have knowledge that the claim is fraudulent. A police report is filed to validate the accident. The report is usually done via the telephone or as a walk-in report at the police station. In some cases, the body shop is involved. It usually involves a third-party claim. Damage is probably heavier to one car than the other.

### **Staged Accidents – (Police at scene)**

- In this scheme, the vehicle is damaged somewhere other than at the scene. The vehicle may have been purchased with damage. The damaged vehicle is placed at the scene. The vehicles are placed so that it appears the accident occurred as the involved party indicates. Police are called to the scene to validate the claim. Usually no injuries are claimed. The involved parties do not want a serious accident scene investigation to be done. This scheme often involves vehicles purchased as salvage. Many of the vehicles are used over and over again in different claims, with the same damage.

### **Paper Accidents**

- This type of scheme usually involves a vehicle that was previously damaged or a vehicle that only exists on paper. Police reports are filed, but by telephone or at the police station.
- Often these accidents occur on private property, such as shopping malls or other large, busy parking lots. They most likely involve a false appraisal report. Most times, the body shop is involved or has prior knowledge of the scheme.
- Scheme where the owner of a vehicle files a claim for previous damage to a vehicle. This may happen when an owner purchases a vehicle that already has damage (hail, water, etc.).

### **Damage Repair Inflation – Body Shop Fraud (see Direct Repair/Body Shop Fraud)**

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Damage to vehicles is inconsistent with accident facts. \*\*
- Damages to “struck” vehicle far more substantial than those to “striking” vehicle. \*\*
- Damage inspection reveals the damage to the vehicle(s) or property may have been enhanced. \*\*
- Damage to claimant vehicle shows evidence that it pre-existed the accident. \*\*
- Damage appears to be intentionally caused. \*\*

### *Potential Action Steps*

- Review the claim circumstances
- Research vehicles
- Research body shop
- Interview all involved
- Examine the damage on the vehicles. Is the damage consistent with the statements given regarding how the accident took place? Measure the height of the damage on both vehicles.
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch
- Conduct VIN checks with NICB

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Auto Physical Damage Fraud
- Direct Repair Fraud
- Property Fraud
- Opportunities for Insurance Fraud
- Introduction to Insurance Fraud

#### **NICTA Training Programs**

- Body Shop Fraud
- Introduction to Insurance Fraud
- Investigating Property Fraud

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

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## *Introduction/Background*

The predominant fraud that is associated with body shops is invoicing for services not rendered and charging for replacement parts not used. There are many ways that this can be accomplished and the possibility of others being involved is also present, i.e., outside adjusters and sometimes the owner themselves. Many times, billing for replacement parts or additional work done is not discovered by the insurance company until after the fact. The shop may offer to “offset” the deductible for the owner by charging for services not rendered or by inflicting additional “damage” on the vehicle so that the price for the repair is greater than first reported.

Direct repair is a process used by some insurers that directs the customer to have their vehicle repaired by a repair shop that is approved by the insurance company. Body shop fraud can be found in direct repair shops as well.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

An insured brings his vehicle to the repair shop. He is advised that the damage to the vehicle will result in him having to have several parts replaced with new original equipment manufacturer (OEM) parts and mentions to the claims representative there didn't seem to be that much damage.

## *Sample Schemes*

### **Airbag Fraud**

- Dishonest collision repair shops utilize stolen, previously deployed and salvaged airbags to replace a customer's deployed airbag. Shops purchase these airbags for a minimal amount, typically \$100-\$200, and then bill the insurer for the retail value of a new airbag. Some unscrupulous shops will attach a deployed airbag to the steering wheel of a vehicle that contains a non-deployed airbag, creating the illusion there was a deployment and thus increasing the claim value.

### **Bandit Tow Trucks**

- Tow truck drivers arrive at an accident scene and persuade the vehicle owner to allow them to transport the vehicle to a supposed “legitimate” collision repair facility. Once there, the vehicle is held hostage with demands for an insurance company payment. The tow truck driver may also try to refer the vehicle owner to unscrupulous doctors and attorneys operating insurance fraud scams.

### **Burying the Deductible**

- The vehicle owner and collision repair shop conspire to “bury the deductible” or hide the cost in the estimate, so the insurance company pays the deductible instead. One way the deductible cost is passed to the insurance company is for the shop to bill for an original equipment manufacturer part(s), but in reality, install a cheaper aftermarket part(s), repaired damaged part(s) or junk part(s).

*Indicators may exist in the following categories; the following are examples:*

**Indicators (Double asterisk (\*\*) indicates the possibility of organized group activity.)**

- Billing or charging for replacement of glass or any parts that were not replaced, but repaired. \*\*
- Charging for repairs on the final invoice that were not authorized or disclosed prior to the completion of repair.
- Invoices (originals) for parts ordered for repairs cannot be provided.
- Estimate inconsistent with incurred damages. \*\*
- Invoices for parts, materials, sublet repairs cannot be produced or verified. \*\*

**Potential Action Steps**

- On initial customer contacts, verify what specific areas of the vehicle were damaged from the customer's memory
- Perform random or "spot" inspections while repair work is in progress at repair facilities
- Request original copies of all used part invoices and if they cannot be produced, check directly with the part supplier for documentation
- Review supplemental estimate percentages with all repairers on a generic basis so they know the insurer is aware of any trends
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

**References**

**FraudSmart<sup>SM</sup> Training Programs**

- Direct Repair Fraud
- Staged Accidents
- Auto Physical Damage

**NICTA Training Programs**

- Body Shop Fraud

**Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)  
[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

## *Introduction/Background*

Most glass repair/replacement facilities are legitimate; however there may be repairs that are inflated or non-existent and the adjuster should review all estimates and/or bills for possible fraud. Some “glass” claims may contain questionable receipts, estimates and bills for the work done and although suspicious, may have to be paid for lack of conclusive evidence of fraud. Replacing windshields that are not damaged and then charging the insurance company is insurance fraud.

The cost of repairing/replacing glass is generally more in rural areas versus metropolitan areas. Unscrupulous glass companies set up sham shop locations in rural areas with high reimbursement rates; however, the glasswork is done in metro areas with lower rates. The unscrupulous shop then charges the insurance company with the higher rural rate. The “fake” rural shop locations are established by using mail drops or phony addresses and/or by creating shell/sham/ghost shops in rural areas with higher rates.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

After inspecting vehicle owner’s windshield, a representative from Shiny Glass Company advises that the windshield will need to be repaired. Vehicle owner provides his insurance policy information to Shiny Glass Company. In turn, the rep from the company impersonates the insured and submits a claim for a windshield replacement.

## *Sample Schemes*

### **Glass Claim Harvesters**

- The term “harvesting” comes from the act of “gathering” insurance policy information. Representatives from glass repair/replacement facilities will be at public events or at businesses specializing in servicing vehicles. They offer free estimates and/or “free” glasswork if the policyholder provides their insurance information. They are often offered gifts and/or waived deductibles if they agree to have the repair/replacement done. Sometimes the work is actually done and sometimes it is not. In both instances the insurance company is billed using the insurance information harvested from the policyholder.

### **Runners**

- Unscrupulous glass repair/replacement facilities have offered “bounties” to employees (known as runners) working at businesses where access to the interior of the vehicle is available. As in “harvesting,” these businesses often specialize in servicing vehicles. Access to the vehicle’s interior is obtained and the insurance information stolen/copied from the glove box. The runner provides the insurance information to the unscrupulous glass repair/replacement facility and is paid the per policy “bounty.” Then the insurance company is billed for glass repair/replacement without the policyholder’s knowledge.

### **Overbilling**

- Glass repair/replacement facility knows the maximum number/type of repairs an insurance company will approve. For example, an insurance company may only pay for three window chips/cracks per claim. The glass repair/replacement facility always bills for the maximum number of three (even if there are less) knowing the insurance company will pay for three chips/cracks to be repaired.

- Glass repair/replacement facility bills the insurance company for specialty glass (such as heated or Heads Up Display compatible) when the insured's vehicle did not have this kind of glass.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Bill includes charges for glass tinting, VIN etching, molding, clean up, hazardous waste disposal and other miscellaneous charges. \*\*
- Additional claims on the same policy after the initial glass work is performed (these additional glass work claims can be submitted as soon as the next day or years later). \*\*
- Bills from the glass repair company always comes from a rural address. \*\*
- Repairing and billing for glass chips/cracks not needing repair. \*\*
- Replacement of the glass (versus repair) is billed for in an unusually high percentage of claims. \*\*

### *Potential Action Steps*

- Perform random or "spot" inspections while repair work is in progress at repair facilities
- Consult with an auto damage appraiser and re-examine the vehicle together; most appraisers have extensive insurance and/or auto body experience
- Review supplemental estimate percentages with all repairers on a generic basis so they know the insurer is aware of any trends
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Direct Repair Fraud

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

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# IDENTIFYING FRAUDULENTLY ALTERED AND STOLEN VEHICLES

## Using VINs to Stop Fraudulent Financial Transactions

### *Introduction/Background*

Prior to 1981, there was no uniform way for all vehicle manufacturers to record their vehicle identification numbers (VINs). In 1981, the 17-digit VIN was introduced through Federal legislation which established standards for its use. This legislation required all vehicle manufacturers to affix a 17-digit VIN to every over-the-road vehicle sold in the United States. The standard established a fixed VIN format for the purpose of separating makes and models of vehicles. It also set up a mathematical formula which, when calculated properly, determined the check digit in the VIN which is the ninth character of the VIN. The VIN is the primary identification number for the vehicle. The Federal government also provided that a vehicle manufacturer cannot repeat a VIN number on any specific model for a period of 30 years. This reduces the likelihood of more than one vehicle bearing the same identification number.

Altering VINs or creating false VIN tags is the basis for many vehicle theft and insurance fraud schemes.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

### *Sample Claim Scenario*

An insurance agent receives a visit from an individual interested in purchasing an auto policy. He produces the necessary documents to obtain auto coverage. About a month later, the insured calls to report his vehicle stolen. A claim rep reviews the file and notices discrepancies specifically relating to the vehicle identification number, it does not match up with other documents.

### *Sample Schemes*

#### **Vehicle Cloning**

- One innovative vehicle theft scheme involves the use of counterfeit documents to aid in the sale of stolen vehicles which are often exported to foreign countries. This scam is called vehicle cloning. An individual writes down a VIN from a legally owned and documented vehicle sitting in a parking lot or dealership. The legitimate VIN is then used in a counterfeit VIN tag, sometimes more than once. A similar vehicle is stolen and the legitimate VIN tag on the vehicle is replaced with the counterfeit. Bearing a counterfeit tag, the stolen vehicle is now a “clone” of the legitimate one and can be sold without detection by government agencies.

#### **VIN Switch**

- A technique used by thieves to disguise the identity of a stolen vehicle. They will alter the identity of the stolen vehicle by replacing the VIN tag. The vehicle thief will then try to resell the stolen car to an unsuspecting customer, or maybe trade it in with you. In addition to manually switching the VIN, some VIN switchers will also develop fraudulent titles and registration to go along with the vehicle.

## Salvage Switch

- A vehicle which is extensively damaged, burned or stripped and deemed not worthy of repair is called “salvaged.” Thieves use a phony name and address to buy a salvaged vehicle solely for its title and VIN. They steal a car of the same make and model and switch the VINs – removing the rectangular VIN plate from the salvaged car and placing it in the stolen car, giving the vehicle a “clean” look. The perpetrators then claim the stolen car is the salvaged one that was rebuilt, register the car using the same phony name and address, and resell it to an innocent purchaser.

*Indicators may exist in several categories; the following are examples:*

*Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)*

- VIN is not correct (failed edit, not manufactured, inconsistent with model). \*\*
- License plate does not match vehicle and/or is not registered to individual. \*\*
- VIN is different than VIN appearing on title. \*\*
- VIN provided to police is incorrect. \*\*
- VIN numbers were removed prior to fire or theft (especially if recovered burned). \*\*

## Potential Action Steps

- When looking at the information provided by the customer, review the names, addresses, phone numbers, social security numbers provided and correlate with the customer’s credit history. Do they use different identifiers?
- Know the VIN and be able to decode it by using the NICB Passenger Vehicle Identification Manual
- Research vehicle by confirming the registered owner, verify vehicle was reported stolen to police and check for prior claims on the vehicle
- Review your claim
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

## References

### FraudSmart<sup>SM</sup> Training Programs

- Identifying Fraudulently Altered and Stolen Vehicles
- Vehicle Theft and Fraud
- Identity Theft and Insurance Fraud
- Sport Compact Vehicle Fraud
- Motorcycle Theft and Fraud

### NICTA Training Programs

- Identity Theft/Fraud
- Investigating Vehicle Theft Fraud

### Appropriate Fraud Indicators

[www.nicta.org](http://www.nicta.org)  
[www.nicb.org](http://www.nicb.org)

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## *Introduction/Background*

Fraudulent insurance claims are submitted to pay for the high cost of customization and performance parts and/or engine parts of a vehicle. The illegal street racer scene is among the fastest growing trends in import vehicles and sport compact vehicles, with many vehicle manufacturers focusing on creating high-performance racing machines.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

An insured files a vehicle damage claim to his insurance company. An inspection of the vehicle by the insurance claims agent determined that the vehicle had been involved in burnout type activity. There was tire damage, evidence of some hot rubber and engine damage.

## *Sample Schemes*

### **Vandalism**

- A typical scheme involves owner vandalism to the car. The owner files a fraudulent claim to obtain a customized repair. The other typical scheme involves damage to the vehicle occurring during a race. The owner will file a false theft report to pay for the car. A false theft claim is filed because the carrier is not liable if the damage occurs in an illegal activity. Performance shops and body shops can be involved in supporting the false claims to receive the insurance payment by operating as “mills” advising the owner how to file the false claims and providing false documentation. In other instances, they may actually cause the damage themselves or even steal the vehicle.

### **Import Shops**

- Import shops have been known to advise their clients to report certain parts of their cars stolen with the intent of forwarding the cost of the upgrade on these cars to the insurance company. In fraudulent cases, the modified import cars have accessories that have estimated values between \$5K to \$50K.

### **Upgrades**

- The street racer vehicle profile includes extensive upgrades to the interior (four point seat belts, different seats, usually racing style), exterior (paint schemes, air dams, added aerodynamic body parts and molding, changed front and rear lights) and engine upgrades.

*Indicators may exist in several categories; the following are examples:*

*Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)*

- Engine reported stolen but vehicle computer is still in vehicle.
- Engine modified, such as intake, exhaust, nitrous and turbo charger.
- Vehicle is “standard” (no modifications or customization) before claim and after repairs, it has custom paint and/or ground effects.
- Evidence of import racing or being a “show” vehicle such as: racing pedals, tachometer, decals, drifting brake, racing seats/harnesses, after market air intake or custom accessories (especially if recovered burned).
- Engine has damage which shows signs of racing.
- Insured loans tires to a friend and reports tire theft or loss that occurs at friend’s house.
- Reported stolen after it was recovered at an illegal street-racing scene.
- Receipt or invoice shows that the item was returned to the manufacturer after insurance inspection. \*\*

### *Potential Action Steps*

- Mandatory completion of “Proof of Loss” statement. Any blank lines left on form should be rejected until form is completely filled out. Add line “vehicle was used in racing.”
- Examine all vehicles with previous salvage history
- If pre-insurance inspection photos exist, compare them to the insured’s recent photos. Insist on obtaining recent photos showing modifications.
- Re-inspect after repairs. Were used parts applied when you were charged for new? Were the old ones put back on? Does the car look completely different?
- If new tires and wheels are reported stolen, ask for location of stock tires
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Sport Compact Vehicle Fraud

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

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## *Introduction/Background*

Like cars, sport utility vehicles and trucks, boats offer thieves an opportunity to make huge profits. And, like stolen motor vehicles, stolen boats are frequently sold on the black market or to unsuspecting consumers.

### **What is a HIN?**

The hull identification number (HIN) is a 12-character identifier required to be embossed, carved, burned, etched, or otherwise securely fastened to every vessel made or imported for sale in the United States after August 1, 1972. The HIN number serves as the “birth certificate” for a vessel.

### **Home-Built Vessel HINs**

HIN regulations do not distinguish between a manufactured boat and one that is made or imported by an individual. All recreational boats must have a HIN. Since manufacturer identification codes are not assigned to individuals, a system was developed for home-built boats. These vessels use a two-letter code for each state to be used in HIN position one and two. Position three in the HIN will always be the letter “Z,” which signifies a home-built boat. The letter “Z” will not appear in the third position of any manufacturer identification code assigned by the U.S. Coast Guard.

### **How to Recognize a Legitimate Motorboat Registration Number**

With very few exceptions, all motorboats must have a registration number located on the forward part of the boat. This number is similar to a vehicle’s license plate issued by the state. Vessel registration numbers are issued by all states except Alaska and New Hampshire, where the Coast Guard issues the numbers.

While every state requires vessels to be registered before they can legally operate on their waters, not all states require vessels to be titled prior to registration. Non-titling states create an opportunity for vessel insurance and title fraud.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

A claims rep receives a call from his insured requesting to increase his coverage on his boat. About a week later, he reports the boat stolen. The rep determines that the boat was purchased for cash with no bill of sale or proof of ownership. Title history reveals a duplicate title on file.

## *Sample Schemes*

- An individual decides he wants to buy a boat. He’s married with good credit. They put down 10% on a \$20,000 boat. He then finances it, anywhere from 80% up to 100% of the boat’s value. The boat is insured for its full value. He uses the boat for about a year. He loses his job and is now stuck with the boat payment. He reports the boat stolen, then takes it to a storage area in a non-titled state. He re-registers the boat in the non-titled state. The insurance company pays off the finance company. About two years later, the insured takes the boat out of storage/hiding and re-sells it in a non-titled state.

- A boat owner has a high performance boat and lives in an area which may see freezing levels in the winter months. Boat engines that freeze are not covered by insurance. Because it's a high performance engine, the cost to replace it is extremely high. The owner will either steal their own boat or have a shop steal it. Owner submits a claim to their insurance company of the stolen boat and the company pays off the claim. After everything is cleared, the boat shows up stripped surgically clean. The re-registered owner gets notified of the recovery. The owner requests to buy the salvage back from the insurance company, then puts the stripped machinery back into the boat.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Contents (especially if expensive) claimed to be the in vehicle/vessel at time of theft (with or without receipts).
- Employment history does not support value of accessories in vehicle (\$5000-\$50,000).
- Recovered abandoned (often with collision damage) prior to or shortly after the theft being discovered and reported (especially if recovered burned).
- Police report not filed or filed late & police did not respond to the scene. \*\*
- Receipt originals, bank or credit card records not available and/or has lack of documentation (e.g. owner's manual, etc.) for loss/damaged property, recently purchased items, and high valued items. \*\*

*Potential Action Steps*

- Inspect the vessel's HIN and validate it is identical to the HIN listed on the registration and/or title
- A vessel registered or titled as a home-built boat (remember these vessels will have the letter Z as the third character in their HIN) should have no brand markings, such as Well Craft, Sea Ray, etc.
- Carefully review the vessel's ownership paperwork if you notice any of the following fraud indicators:
  - The vessel has been rebuilt, previously reported stolen, sunken or recovered
  - The title or proof of ownership is a duplicate issue or from out of state
  - Registration numbers appear altered or are not uniform
  - Any sale price well below the market value
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

*References*

**FraudSmart<sup>SM</sup> Training Programs**

- Boat Theft and Fraud

**Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)  
[www.nicb.org](http://www.nicb.org)

To download these or other NICB Training materials, please go to [www.nicbdocs.org](http://www.nicbdocs.org).

## *Introduction/Background*

Like cars, sport utility vehicles and trucks, motorcycles offer thieves an opportunity to make huge profits. Many motorcycle models cost \$20,000 or more, making them a valuable target for criminals who either sell them whole or strip them down in chop shop-like fashion for parts resale. The motorcycle parts market is especially lucrative in colder weather climates where a shorter riding season encourages a stolen parts trade for people who “need that part immediately before the weather changes.” Motorcycle thieves are very resourceful and will use every part for resale or reconstruction into another cycle. Motorcycle parts, including frames, can be more easily altered, reused and camouflaged than vehicle parts. This results in a lower recovery rate for stolen cycles than vehicles. Higher-end motorcycles are also highly sought-after luxury items in foreign countries, fostering a lucrative export market for stolen cycles.

There are three motorcycle classifications: Stock, Hybrid and Special Construction. There are many components to a motorcycle, but the three most identifiable components are: frame, engine and transmission.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

Joe Biker reports his insured Harley-Davidson motorcycle has been stolen. He provides receipts for major component parts, however none have the Harley-Davidson logo.

## *Sample Schemes*

- One common scam targeting consumers interested in purchasing a Harley-Davidson is to assemble a cycle from replica aftermarket parts, and then sell it as an original Harley. This is known as a “cloned” cycle and is an age-old method for ripping off unsuspecting consumers. False vehicle identification numbers are easily obtained and applied to cloned cycles.
- For any number of reasons, motorcycle owners decide to rid themselves of their cycle through a false report of theft, hoping that their insurance company will settle their outstanding loan and they will recover some equity. Typically, an owner abandons the motorcycle in an isolated area and reports it stolen. Alternatively, the owner may report it stolen from a shopping mall, theater, or other large public parking lot. A twist to this same scheme is to give the motorcycle to a third party who will destroy or get rid of it for the owner, sometimes for a small fee and sometimes for no fee at all. The owner simply provides the other party with a duplicate set of keys.
- A phantom motorcycle scheme is easily accomplished by registering, titling and insuring a previously wrecked or nonexistent motorcycle. If an inspection is required by the insurance company, a borrowed motorcycle of the same make and model may be shown, displaying a temporarily altered frame VIN.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Reports an old motorcycle stolen, and then registers a new special construction motorcycle.
- Motorcycle/Vessel is reported as stolen during the off season or just prior to the off season.
- Swap meet is alleged as the source for major component parts or the entire motorcycle.
- Titled and registered as a Harley Davidson or other brand name motorcycle, when actually it is an assembled clone made from aftermarket components.
- History of motorcycle reveals numerous manufacturer's statements of origin for major component parts.

### *Potential Action Steps*

- Interview claimant regarding where he had the cycle built and who was the builder
- Interview all parties involved
- Ask where the "swap meet" was held and from whom the parts were acquired
- Ask for police report, interview claimant, neighbors, family and co-workers
- Ask where it was customized (name of shop)
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

### *References*

#### **FraudSmart<sup>SM</sup> Training Programs**

- Motorcycle Theft and Fraud

#### **Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

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## *Introduction/Background*

Vehicle arson is the crime of knowingly setting fire to a vehicle to collect insurance or avoid financial loss. A typical reason an insured will burn their vehicle is because of mechanical or financial problems. Usually the insured wants the vehicle totally burned so when it is found, the insurance company has to “total” the vehicle and pay the maximum.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

The claims rep receives notice that their insured’s stolen vehicle has been recovered totally burned. The rep contacts the cause and origin expert and it was determined that audio equipment was missing from the vehicle. It was also later determined that the insured was behind on payments.

## *Sample Schemes*

- Typically the insured drives or tows their vehicle to some isolated area, douses it with a flammable substance and sets it on fire. The insured will claim that the vehicle caught fire while in operation or someone stole the vehicle and burned it. In either case, a fraudulent claim is filed with the insurance company with the hope that they will not question the claim and will make a speedy settlement.
- Sometimes the owner will have their car stolen (an owner give-up) and then burned or they will just burn it themselves. They want the car totally burned so when it is found, the carrier has to “total” the car and pay the maximum.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*) indicates the possibility of organized group activity.)**

- Recovered burned (especially if there aren't any personal items in vehicle/vessel) and/or vandalized.
- History of mechanical problems and/or is a "gas guzzler" (especially if recovered burned and/or there is no warranty coverage).
- Mileage is extremely high on a late model with the exceptions of: taxis, police and utility vehicles (especially if recovered burned).
- Recovered with seized engine or blown transmission (especially if recovered burned).
- VIN numbers were removed prior to fire or theft (especially if recovered burned). \*\*

**Potential Action Steps**

- Interview the owner/insured, find out when the car was missing, ask if they made a police report. Call your local police agency and find out if there is a police report or fire department report. Keep the communication lines open.
- Check the time frame. Your origin and cause expert will take pictures and issue a report. If there isn't a theft report, ask the owner/insured to explain how the car got there.
- Find out what items were in the car. Have the owner/insured make a list.
- Have the origin and cause expert check to see if audio equipment is missing
- Interview the owner/neighbors to find out if the car is a lemon
- Ask for proof of employment. Check the financial stability of the owner/insured, bankruptcy records, etc.
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

**References**

**FraudSmart<sup>SM</sup> Training Programs**

- Vehicle Arson Involving Insurance Fraud

**NICTA Training Programs**

- Investigating Property Fraud
- Investigating Vehicle Theft Fraud

**Appropriate Fraud Indicators**

[www.nicta.org](http://www.nicta.org)

[www.nicb.org](http://www.nicb.org)

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## *Introduction/Background*

There are many ways a dishonest individual can exploit his/her vehicle insurance policy to commit fraud. In some cases, professionals are involved in obtaining insurance for the sole purpose of filing false claims. Unfortunately, few states require physical inspection of a vehicle prior to registration and titling. Similarly, few insurance companies require physical inspection prior to binding insurance coverage. The use of fraudulent documents to register, title and insure non-existent vehicles is relatively easy for a professional. In other situations, a normally honest vehicle owner will report their vehicle stolen to collect the insurance payment.

*Some reasons for this type of vehicle fraud may include:*

- Mechanical problems
- High mileage
- Financial problems/high loan payment/lost job
- High insurance payment
- Upgrade equipment or custom paint

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

## *Sample Claim Scenario*

A claim rep is assigned to handle a recently filed vehicle theft claim by their insured. After reviewing the theft statement, he notices discrepancies in the insured's statement. He reviews the policy application and finds that the insured is a French citizen who entered the U.S. on a student visa. Approximately one week after the theft claim is filed, the insured begins contacting the claim rep on a daily basis wanting to know when he will be paid for his vehicle and each time he calls, advises the claim rep that he will be returning to France to live immediately after his graduation. The insured insists that the claim be settled before he leaves the country.

## *Sample Schemes*

### **Owner Give-Up**

- The vehicle owner orchestrates the destruction of the vehicle to collect insurance money. The "stolen" vehicle is often found burned in a secluded area, submerged in a lake or, in some extreme cases, buried.

### **Export Fraud**

- The insurance fraud perpetrator purchases or leases a vehicle, insures it and then ships it to an overseas conspirator. Once the conspirator sells the vehicle, the perpetrator reports it stolen. The insurance company pays the claim, while the fraud ring profits from the sale of the vehicle.

### **Phantom Vehicles**

- This scheme occurs when an individual creates a phony title or registration, or utilizes the identity of a non-operable vehicle to secure insurance. The insured will later report the vehicle stolen before filing a fraudulent insurance claim. Often antique or luxury vehicles will be used, since the more valuable the vehicle, the larger the settlement.

## Paper Accidents

- In this scheme, the reported accident exists only on paper, and no attempt is made to simulate a true accident situation. Paper accidents can involve authentic vehicles that were previously damaged, but more often they utilize vehicles that exist only on paper and whose title and insurance are established through the use of phony or altered documents.

## Fake Vandalism

- The insured will often inflict serious damages to their own vehicle and file a fraudulent claim with their insurance carrier alleging that someone else damaged their vehicle. It is not uncommon that damage to the paint or tires are self-inflicted in hopes that the insuring company will pay for a new paint job or tire replacement. Among the more common claims to fall into this category are multiple claims by the same insured on the theft of T-tops, seats, stereo equipment, tires and wheels. In most cases of self-inflicted claims, the insured demands a cash settlement in lieu of repairs.

*Indicators may exist in several categories; the following are examples:*

### **Indicators (Double asterisk (\*\*)) indicates the possibility of organized group activity.)**

- Coverage is for minimum liability with full comprehensive coverage on late model and/or expensive vehicle/vessel. \*\*
- Agent is contacted to verify coverage or extent of coverage or to increase coverage just prior to loss date.
- Losses occur just before/after coverage takes effect, just before it ceases, just after it has been increased, or after a cancellation notice has been sent.
- Policy obtained from an agent not located in the close proximity to insured's residence or work. \*\*

## Potential Action Steps

- Establish a strong motive. The motive generally falls in one or more of the three following categories: financial, mechanical, domestic problems.
- Know the vehicle identification number (VIN) and be able to decode it by using the NICB Passenger Vehicle Identification Manual
- Research vehicle by confirming the registered owner, verify vehicle was reported stolen to police and check for prior claims on the vehicle
- Review your claim
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

## References

### FraudSmart<sup>SM</sup> Training Programs

- Vehicle Theft and Fraud

### Appropriate Fraud Indicators

### NICTA Training Programs

- Introduction to Insurance Fraud Investigation
- Investigating Vehicle Theft Fraud

[www.nicta.org](http://www.nicta.org)

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### *Introduction/Background*

Vehicle rental fraud involves vehicles that are rented for the sole purpose of staging accidents, reporting them as stolen, or exporting the vehicle out of the country to collect insurance settlements.

*The following sections provide examples concerning this type of insurance crime. Please see the reference section to obtain more complete information.*

### *Sample Claim Scenario*

The rental company receives an accident report from a customer who claimed the rental vehicle had a defect which caused the accident. Further investigation determines that the accident occurred shortly after the vehicle was rented.

### *Sample Schemes*

- The renter will make an allegation that a defect with the vehicle caused the accident. Many instances involve a single car or truck, late at night, in a remote location, with no witnesses. Vehicles are used for criminal activity, such as transporting drugs, stolen goods, etc. In some cases, the renter will elect to take out cargo coverage if renting a truck to transport stolen goods.
- Another scheme may be: Subject rents a vehicle for 30 days under a false ID. He/she then exports the vehicle or drives across the border and once the vehicle is safely in another country, reports it as stolen.
- Will also rent vehicles and take all available optional insurance and then stage an accident with the rental vehicle at fault.

*Indicators may exist in several categories; the following are examples:*

**Indicators (Double asterisk (\*\*) indicates the possibility of organized group activity.)**

- Primary driver is not in the rental vehicle and there is an authorized additional driver who is driving at the time of the accident. \*\*
- Makes an allegation that a defect with the rental vehicle caused the accident. \*\*
- Purchased the property damage waiver coverage (when renting a vehicle) and all available insurance. \*\*
- Rented a vehicle from a dealer or agency “across town” as opposed to a closer location. \*\*

**Potential Action Steps**

- Review the indicators and ask the appropriate questions for each indicator
- Obtain the purpose of rental, who was being moved, where were they moving, what was being moved, etc.
- Verify identity
- Refer claim to your SIU and as a questionable claim to the NICB
- Check for claims in ISO ClaimSearch

**References**

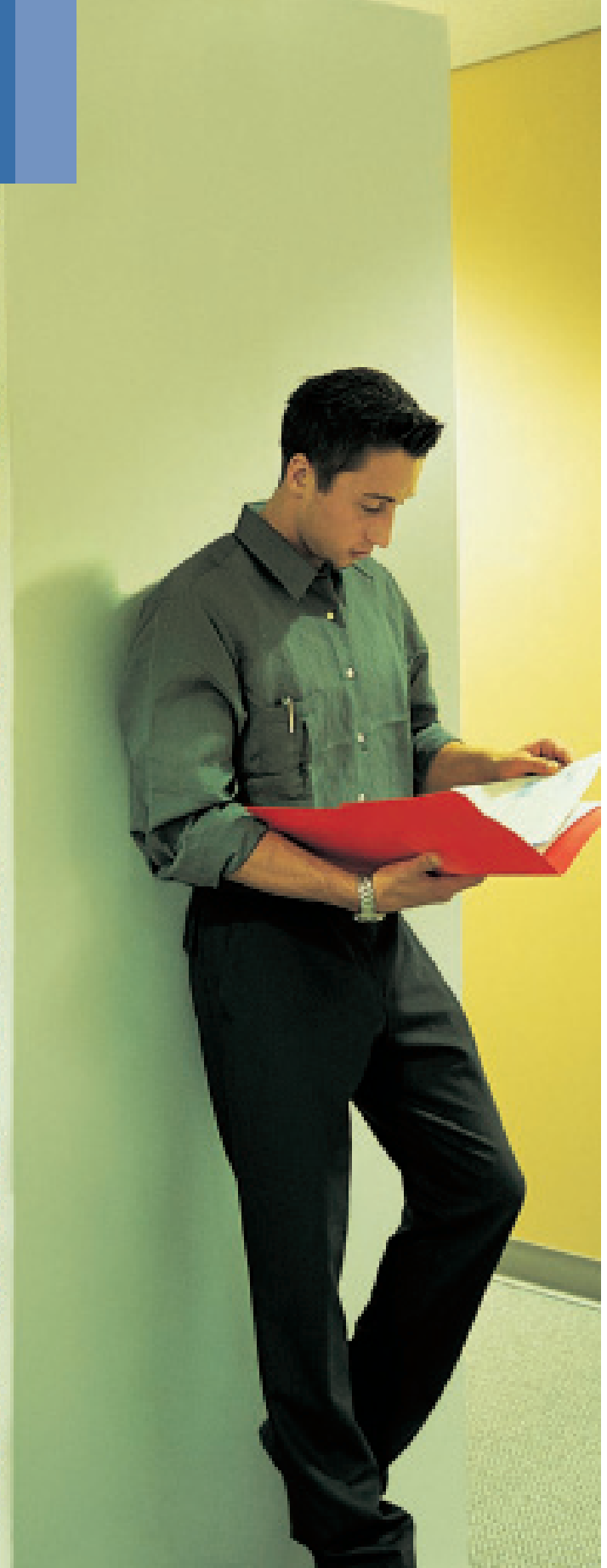
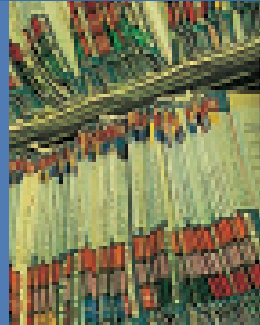
**Appropriate Fraud Indicators**

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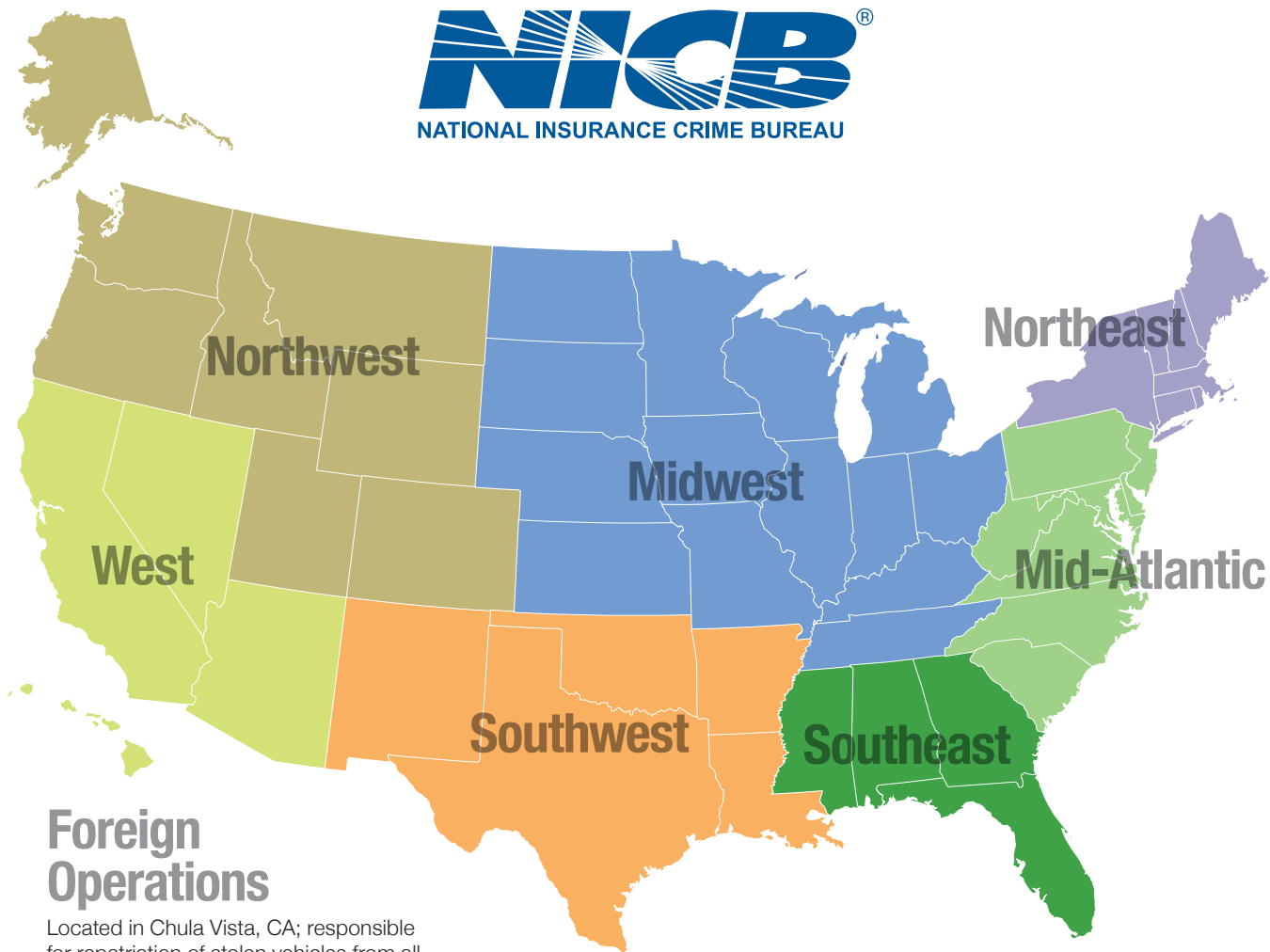
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# NICB NATIONAL STRUCTURE AND REGIONAL MAP

The NICB maintains nine field office locations

Addresses can change, so check the NICB website ([www.nicb.org](http://www.nicb.org)) for the most up-to-date contact information.



## Foreign Operations

Located in Chula Vista, CA; responsible for repatriation of stolen vehicles from all countries outside the U.S. border.

**MIDWEST | Chicago, IL**

**Steven Hall**  
*shall@nicb.org*

**NORTHWEST | Seattle, WA**

**Dana MacDonald**  
*dmacdonald@nicb.org*

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**SOUTHEAST | Tampa, FL**

**Dennis Russo**  
*drusso@nicb.org*

**MID-ATLANTIC | Washington, DC**

**Gary Healy**  
*ghealy@nicb.org*

**NORTHEAST | New York, NY**

**Kevin Gallagher**  
*kgallagher@nicb.org*

**WEST | Los Angeles, CA**

**Bob Jones**  
*bjones@nicb.org*

**Tom Downey**  
*tdowney@nicb.org*

**FOREIGN OPERATIONS | Chula Vista, CA**

**Tom Downey**  
*tdowney@nicb.org*

**NICB HEADQUARTERS | Chicago, IL**

**James Schweitzer**  
Senior Vice President & Chief Operating Officer  
*jschweitzer@nicb.org*

**Mary Aftanas-Baumann**  
Director of Property,  
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*maftanas@nicb.org*

**Darrell Russell**  
Director of Vehicle Operations  
*drussell@nicb.org*

**Brian Smidt**  
Vice President, Data Analytics  
*bsmidt@nicb.org*

*For additional information regarding NICB services and investigative aids, please contact:*

[csg@nicb.org](mailto:csg@nicb.org)

Also visit our website at [www.nicb.org](http://www.nicb.org)

### **Training Directors**

#### **Roland Dumond**

Tel: 903.873.6040

Email: [rdumond@nicb.org](mailto:rdumond@nicb.org)

Regions Covered: Midwest, Northwest,  
Southwest, West and  
Foreign Operations

#### **Joanne Fabian**

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Email: [jfabian@nicb.org](mailto:jfabian@nicb.org)

Regions Covered: Mid-Atlantic, New York,  
Northeast and Southeast

The FraudSmart<sup>SM</sup> training programs are specifically designed for the new “frontline” claims personnel. These one to two-hour PowerPoint presentation modules allow customers to cut and paste different training modules together to create a more personalized program. We provide FraudSmart<sup>SM</sup> sessions at your selected locations at no cost to you. Additionally, the sessions are approved for continuing education credits in certain states. To schedule a FraudSmart<sup>SM</sup> class, please contact the NICB Training Director in your area. The Training Directors specific regional coverage and contact information can be found on the previous page.

The FraudSmart<sup>SM</sup> courses currently offered include:

### **NICB Topics**

#### *NICB Overview*

This course explains NICB’s five disciplines and discusses various ways insurance companies and law enforcement can best utilize their partnership with NICB. This course is suitable for claims and/or underwriting, and other insurance company personnel as well as LLE agencies.

Learning objectives:

- Restate the benefits NICB offers
- List NICB’s five disciplines
- Restate NICB’s mission statement

#### *Questionable Claims Submission*

This course demonstrates how to “submit” a questionable claim and shows the benefits of submitting the claim to NICB for inclusion into ISO ClaimSearch. What is in it for the person who submits the questionable claim and instructions on “good” reasons to submit claims are explained. This course is for insurance company personnel responsible for submitting claims as questionable.

Learning objectives:

- Explain the benefits of submitting a questionable claims
- Explain how to submit a questionable claim

### **General**

#### *Application Fraud for Underwriting and Insurance Agents*

This course addresses the cost of insurance fraud and explains the levels/elements of proof and describes five common fraud schemes. Additional instructions on how underwriting and/or insurance agents can help meet legal requirements and recognize fraud indicators and action steps are explained. This course is suitable for underwriters and other insurance company personnel.

Learning objectives:

- Explain the fraud problem
- Recognize the levels/elements of proof
- Restate five common fraud schemes

### *Digital Photos (metadata) and Claims*

The Digital Photos (Metadata) and Claims course provides instruction on how to define what is Metadata. The program is taught in a manner to sharpen the awareness skills by providing the knowledge and resources to identify and access metadata. The student will identify the type of information available in the metadata file, and the action steps to investigating questionable metadata.

Learning objectives:

- Student will define what is metadata.
- Student will list how to access metadata.
- Student will identify the type of information available in the metadata file.
- Student will identify the action steps to investigate questionable metadata.

### *Identity Theft and Insurance Fraud*

This course provides an overview on how to prevent being a victim of identity theft and explains the identity theft problem and the effects on the insurance industry. Identity theft indicators and action steps are explained. This course is suitable for people who work claims, underwriting, and other insurance company personnel.

Learning objectives:

- Demonstrate steps taken to prevent being victimized by identity theft
- Recognize and list the identity theft fraud indicators
- Apply action steps to resolve fraud indicators

### *Insurance Fraud Prevention Briefing for Management*

This course provides an overview on how management can encourage employees to fight fraud and lessen the cost of investigating fraudulent claims by using additional resources. This course is suitable for management personnel who work in claims, underwriters and other insurance company personnel.

Learning objectives:

- Define fraud
- List two ways management can encourage employees to fight fraud
- List three resources used to fight fraud

### *Introduction to Insurance Fraud*

This course provides an overview of insurance fraud and ways to fight the problem. The levels/elements of proof and fraud indicators and action steps are explained. This course is suitable for people who work in claims, underwriting, and other insurance company personnel.

Learning objectives:

- Define insurance fraud
- Name two different ways to fight fraudulent claims
- Identify fraud indicators and apply action steps

### *Money Laundering and the Insurance Industry*

This course defines money laundering and explains its ties to the insurance industry. The difference between fraud and money laundering and how money laundering schemes are committed is described. Fraud indicators and action steps are explained. This course is suitable for insurance agents, underwriters and property claims personnel.

Learning objectives:

- Define money laundering
- List five money laundering schemes
- Explain the difference between money laundering and fraud
- Identify fraud indicators and apply action steps

### *Opportunities for Insurance Fraud from Application to Policy*

This course explains the process for obtaining insurance. “Voluntary” and “assigned risk” and instructions on how to recognize fraud indicators and action steps are explained. This course is suitable for underwriters and other insurance company personnel.

Learning objectives:

- Name three types of insurance agents
- Explain the difference between “voluntary” and “assigned risk”
- Identify fraud indicators and apply action steps

### *Organized Group Activity*

This course defines organized fraud groups and the people involved. Different organized rings are identified and instructions on how to recognize fraud indicators and action steps are explained. This course is suitable for people who work in claims, underwriting and other insurance company personnel.

Learning objectives:

- Identify key players of an organized group
- List ways organized groups are involved with an insurance business
- Identify fraud indicators and apply action steps

### *Preparing a Case for Prosecution*

This course defines the elements of fraud and explains the requirements for a successful presentation. A list of important documents to be included and how to present a case to a prosecutor is explained. This course is suitable for SIU and insurance company personnel who help prepare cases for court prosecution.

Learning objectives:

- Identify the elements of fraud
- List four requirements for successful prosecution
- Develop a list of documents needed for prosecution

### *Rate Evasion*

This course explains how rate evasion fraud is committed and explains the difference between resident and non-resident rate evasion. Rate evasion fraud indicators and action steps are explained. This course is suitable for underwriters and other insurance company personnel.

Learning objectives:

- Restate the difference between resident and non-resident rate evasion
- Explain how rate evasion is committed
- Apply action steps to resolve fraud indicators

### *What is Internal Fraud? A Crime*

This course explains how internal fraud is committed and how to recognize internal fraud. Potential individuals involved and various system reports used to uncover internal fraud is explained. This course is suitable for people who work in claims, underwriting and other insurance company personnel.

Learning objectives:

- Recognize the signs of internal fraud
- List potential individuals involved
- Describe system reports used to uncover fraud

## **Commercial**

### *Commercial Claims—The First Ten Minutes*

In this course trainers will facilitate several practical exercises listing the steps taken during the first ten minutes of a commercial claims process. Important elements involving an incident and data collection of key evidence is explained. This course is suitable for those who work in claims, underwriting and other insurance company personnel.

Learning objectives:

- List the steps taken after an accident has occurred
- List information that should be collected for a commercial claim
- Describe data that is collected when a claim is filed

### *Heavy Equipment Fraud*

This course provides an overview of the difference between construction and farm equipment. Various identification methods and fraud indicators and action steps are explained. This course is suitable for those who work vehicle/motor theft claims, vehicle appraisers, individuals who take first reports and other insurance company personnel.

Learning objectives:

- Explain the difference between construction and farm equipment
- List ways to identify heavy equipment
- Identify fraud indicators and action steps

### *Introduction to Commercial Fraud and Theft*

This course provides an overview of commercial insurance claim fraud and theft. The scope of the commercial and various fraud schemes are explained. This course is suitable for individuals who work in claims and other insurance company personnel.

Learning objectives:

- Explain the commercial fraud problem
- Explain how the NICB and insurance companies work together
- List and describe commercial fraud schemes

### *Premium Fraud in the Workers' Compensation Market*

This course provides an overview on how workers' compensation premium fraud is committed and explains the terms: premium leakage, premium avoidance and premium fraud. Fraud indicators and action steps are explained. This course is suitable for people who handle workers' compensation claims, workers' compensation underwriters, and other insurance company personnel.

Learning objectives:

- Define premium fraud, premium avoidance and premium fraud
- Recognize the elements of premium fraud
- Identify fraud indicators and apply action steps

### *Workers' Compensation Fraud*

This course demonstrates the basic concepts of workers' compensation fraud. Two general types of workers compensation fraud and the participants involved are described. Fraud indicators and action steps are explained. This course is suitable for people who handle workers' compensation claims and for those who write workers' compensation coverage.

Learning objectives:

- Describe the basic concepts of workers' compensation fraud
- Describe the two general workers' compensation fraud schemes
- Construct a list of likely participants
- Identify fraud indicators and apply action steps

## **Property**

### *Arson for Profit*

This course provides an overview on how to identify a questionable fire claim. Patterns of arson claims and classifications of fires are described. The arson triangle, fraud indicators and action steps are explained. This course is suitable for property claims personnel, people who take first reports, and other insurance company personnel.

Learning objectives:

- Describe three types of fires
- Document the patterns of arson and classify fires
- Recognize the arson for profit indicators
- Apply action steps to resolve fraud indicators

### *Catastrophe Fraud*

This course provides an overview on fraudulent catastrophe claims and explains the difference between a normal and catastrophe claim environment and provides examples on how unscrupulous claimants take advantage of a catastrophic situation. This course is suitable for people who work in claims, underwriting, and other insurance company personnel.

Learning objectives:

- Recognize a fraudulent catastrophe fraud claim
- List ten common CAT related insurance fraud scams

### *Hail Damage Fraud*

This course defines and provides an overview of hail damage and fraud, explains how hail is formed, the damage that hail can do as well as the indicators of questionable hail claims. This course will cover the actions of some unscrupulous roofing contractors and their schemes and some action steps to take to identify questionable hail claims. This course is suitable for property claims people, people who take first reports, and other insurance company personnel.

Learning objectives:

- Identify the elements needed in order for a hail storm to occur
- List the indicators of questionable hail damage claims
- Recall several different roofer/contractor schemes
- Recognize the indicators of roofer/contractor fraud

### *Identifying “Questionable” Mold Claims*

This course defines and provides an overview of mold, explains the difference between a “good” and “bad” mold, and describes several techniques used to intentionally spread mold. Fraud indicators and action steps are explained. This course is suitable for property claims people, people who take first reports, and other insurance company personnel.

Learning objectives:

- Define mold
- Explain the difference between a good and bad mold
- List three techniques used to spread mold
- Identify fraud indicators and action steps

### *Mysterious Disappearance Claims*

This course provides an overview on how to identify suspect scheduled property claims. An in-depth definition of what a mysterious disappearance claim will be given. Various fraud scenarios commonly used will be discussed and fraud indicators and the fundamental action steps taken will be explained. This course is intended for insurance Claims Adjusters, Insurance Fraud Investigators and/or Agents.

Learning objectives:

- Define a mysterious disappearance claim
- Identify fraud indicators and action steps

### *Property Fraud*

This course describes different types of fraudulent property claims. Fraud indicators and action steps are explained. This course is suitable for people who handle property claims, people who take first reports and other insurance company personnel.

Learning objectives:

- Explain various types of property related claims
- Identify fraud indicators and action steps

## Skill Training

### *Listening Skills Part 1*

This course points out the difference between hearing and listening. Various blockers of concentration and many ways one can improve their concentration skills are explained. This course is suitable for people who work in claims, underwriting and for those responsible for taking first reports.

Learning objectives:

- Distinguish the difference between hearing and listening
- List several blockers to concentration
- Restate three ways to improve concentration skills

### *Listening Skills Part 2*

This course discusses specific things to listen for when conducting telephone interviews. Phrases and potential responses that appear deceptive is explained. This course is suitable for people who work in claims, those who take first reports, underwriters and other insurance company personnel.

Learning objectives:

- List five potential things to listen for during a phone interview
- Recognize phrases that contain potential fraud
- Recognize phrases that are pointed out

### *Presentation Basics*

This course demonstrates how to be an effective trainer. Various delivery and presentation methods the proper class preparation and various technical considerations are explained. This course is ideal for newly assigned presenters and trainers and those who would like to refresh their presentation skills.

Learning objectives:

- List various delivery and presentation methods
- Explain technical considerations
- List several ways to prepare for class

### *Writing Skills*

This course explains what should and should not be written in diary entries and referrals. The difference between active and passive writing is described and writing to inform versus writing to impress is explained. This course is suitable for people who work in claims, underwriting and other insurance company personnel.

Learning objectives:

- Explain what should be written in referrals and diary entries
- Explain the difference between passive and active voice
- Develop an informational writing sample
- Develop an impressive writing sample

## Bodily Injury

### *Casualty Fraud*

This course defines casualty fraud and how bodily injury fraud is synonymous to casualty fraud, the participants involved and the types of schemes used to claim injuries. Types of casualty claims and the opportunities for fraud that comes with each type of claim is also discussed. This course is suitable for people who handle bodily injury claims and those who take first reports.

Learning objectives:

- Identify the schemes, indicators, and the participants involved in questionable casualty claims
- Identify the action steps needed to resolve the identified indicators
- Identify the action steps needed to review and verify the medical treatment records

### *CPT Codes & Medical Reports*

This course provides an understanding of the common office visit codes and ways to identify suspicious medical claims are explained. This course is suitable for people in claims who deal with medical bills.

Learning objectives:

- Define various office visit codes
- Define X-ray codes
- List various ways to identify a suspicious medical claims

### *Durable Medical Equipment Fraud*

This course defines and describes the primary use of durable medical equipment. The DME cycle, fraud schemes and the cycle is explained. DME fraud indicators and action steps are explained. This course is suitable for people in claims who deal with medical bills.

Learning objectives:

- Define durable medical equipment
- Explain DME's primary use
- Identify fraud schemes
- Identify fraud indicators and apply action steps

### *Managing LIST and MIST Claims*

This course describes low impact and minor impact soft tissue claims. How LIST and MIST claims differ from staged accidents and various ways to identify a fraudulent claim is explained. Fraud indicators and action steps are explained. This course is suitable for people who handle bodily injury claims and those who take first reports.

Learning objectives:

- Explain the elements of a low impact soft and minor soft tissue claim
- List ways on how to identify a fraudulent LIST and MIST claim
- Identify fraud indicators and apply action steps

### *Medical and Legal Aspects of Bodily Injury Claims*

This course outlines how medical and legal professionals can be involved in fraudulent medical and legal claims. Various roles the professionals play are described and medical fraud indicators and action steps are identified. This course is suitable for those who work BI claims.

Learning objectives:

- Explain medical/legal professionals involvement
- Identify fraud indicators and apply action steps

### *Pedestrian Staged Accidents aka Pedestrian Knockdowns*

This course provides an overview on fraudulent pedestrian accident claims. Various pedestrian fraud schemes and descriptions of bodily reactions as they relate to the facts of the claim are explained. Fraud indicators and action steps are explained. This course is suitable for those who work BI claims.

Learning objectives:

- List the common pedestrian fraud schemes
- Compare bodily reactions to the facts of the claim
- Identify fraud indicators and apply action steps

### *PIP Claims and Insurance Fraud*

This course provides an overview of personal injury protection claims. Various aspects of PIP and “no fault” claims and the characteristics of a fraudulent claim are described. Fraud indicators and action steps are explained. This course is suitable for people who deal with PIP Claims and those who take first reports (This course is in conjunction with other auto injury courses).

Learning objectives:

- List aspects of a PIP and no fault claim
- Describe the fraudulent characteristics of a PIP claim
- Identify fraud indicators and apply appropriate action steps

### *Prescription Drug Fraud*

Prescription Drug Fraud covers the impact that the abuse of prescription drugs has on the P&C Industry. This course provides instruction into the ways in which insurance fraud is used to obtain or dispense prescription drugs. Students will learn to recognize fraud in a claim when prescription drugs are involved.

Learning objectives:

- The student will list the two main methods of obtaining prescription drugs through insurance fraud.
- The student will list the three types of most commonly abused prescription drugs.
- The student will define drug diversion.
- The student will define drug compounding.
- The student will list the elements needed for a successful prescription drug fraud investigation.

### *Slip and Fall Claims*

This course describes various injury schemes used by dishonest people who commit fraud. Important elements that should be documented and authenticated are explained. Fraud indicators and action steps are explained. This course is suitable for people who handle bodily injury claims.

Learning objectives:

- Describe various slip and fall schemes
- List the elements that should be documented when investigating a claim
- Identify fraud indicators and apply action steps

### *Staged Accidents*

This course describes different staged accidents schemes. Three common staged accident schemes are explained and fraud indicators and action steps are identified. This course is suitable for people who process casualty and no-fault auto injury claims and those who take first reports.

Learning objectives:

- Describe a staged accident
- Describe the three common staged accidents
- Identify fraud indicators and apply action steps

## Vehicle

### *Auto Physical Damage Claims and Fraud Schemes*

This course provides an overview on how to recognize auto physical damage fraud schemes. Three common fraud schemes will be described and auto physical damage fraud indicators and action steps are explained. This course is suitable for those who work on physical damage claims, appraisers and people who take first reports.

Learning objectives:

- Recognize the various auto physical damage fraud schemes
- Identify fraud indicators and apply appropriate action steps

### *Boat Theft and Fraud*

This course provides an overview on how to identify various types of boats and their terminology. The components of a hull identification number (HIN) is described and boat theft fraud indicators and action steps are explained. This course is suitable for those who work boat / vehicle / motor theft claims, boat vehicle appraisers, people who take first reports and other insurance company personnel.

Learning objectives:

- Identify various types of boats
- Recognize boat terminology
- List the components of a hull identification number (HIN)

### *Direct Repair Body Shop Fraud*

This course explains how to identify direct repair body shop questionable bills. General problems when dealing with a body shop that is suspected of fraud are discussed and fraud indicators and action steps are explained. This course is suitable for those who work on physical damage claims and other insurance company personnel.

Learning objectives:

- Describe concerns of direct repair body shop fraud
- Define direct repair
- List advantages/disadvantages to insurance companies/consumers
- Identify fraud indicators and apply appropriate action steps

### *Hit While Parked*

This course provides an overview on how to recognize the differences between legitimate Hit While Parked claims and fraudulent Hit While Parked claims. It will also identify a list of fraud indicators of Hit While Parked accidents, as well as the action steps to resolve indicators.

Learning objectives:

- Recognize the differences between legitimate Hit While Parked claims and fraudulent Hit While Parked claims.
- List fraud indicators of Hit While Parked Accidents.
- Discuss the action steps to resolve indicators.

### *Identifying Fraudulently Altered & Stolen Vehicles*

This course describes vehicle fraud and provides an overview on how a person may unknowingly become involved in trafficking, financing or insuring stolen vehicles. Tools used to recognize stolen vehicles, bad loans or a fraudulent insurance policy is described and various schemes are explained. This course is suitable for people who work vehicle theft claims, vehicle appraisers, people who take first reports and other insurance company personnel.

Learning objectives:

- Define automobile fraud
- List ways of fraudulent involvement
- Compile a list of tools used to recognize a stolen vehicle
- Describe common fraud schemes

### *Motorcycle Theft and Fraud*

This course focuses on problems related to motorcycle theft and describes ways to identify various types of motorcycle classifications and their major components. Fraud indicators and action steps are explained. This course is suitable for people who work vehicle theft (motorcycle theft) claims, underwriters and other insurance company personnel.

Learning objectives:

- Discuss problems associated with motorcycle theft
- List and describe motorcycle classifications and the major components
- Identify fraud indicators and apply action steps

### *Sport Compact Vehicle Fraud*

This course discusses sport compact vehicle street races. Elements of potential fraud and how it relates to vehicle theft fraud is described. Indicators of illegal street racing and action steps are explained. This course is suitable for people who work vehicle theft claims, vehicle appraisers, those who take first reports or work for an insurance agency.

Learning objectives:

- Explain sport compact vehicle fraud
- List the elements of potential fraud
- Identify fraud indicators and apply action steps

### *Vehicle Arson Involving Insurance Fraud*

This course provides an overview of vehicle arson and explains the elements of an arson investigation. Fire is defined and fraud indicators and action steps are explained. This course is suitable for people who work vehicle claims and appraisers. (This course is in conjunction with the Vehicle Theft Fraud course.)

Learning objectives:

- Define fire and vehicle arson
- List and describe elements of an arson investigation
- Identify fraud indicators and apply appropriate action steps

### *Vehicle Theft Fraud*

This course discusses the vehicle theft problem and explains the effects to consumers and the insurance industry. Various reasons why vehicle theft/fraud is committed is explained. The characters of a vehicle identification number (VIN) are described and fraud indicators and action steps are explained. This course is suitable for people who work vehicle claims and appraisers.

Learning objectives:

- Explain how vehicle theft effects consumers and the insurance industry
- List reasons for committing insurance fraud
- List VIN characters
- Identify fraud indicators and apply action steps

### *Vehicle Inspections “101” For Insurance Agents*

This course provides a basic overview on how to inspect and identify a vehicle. Various ways to identify a fraudulent VIN are explained and fraud indicators and action steps are identified. This course is suitable for insurance agents and others.

Learning objectives:

- Explain proper ways to inspect/identify a vehicle
- Describe ways to identify a fraudulent VIN
- Identify fraud indicators and apply action steps

## HOW TO ACCESS THE WEBSITES

### *NICB Member–Exclusive Information*

*ISO ClaimSearch® is used to access NICB Alerts, order training materials, register for Academies and search for the contact information of NICB personnel.*

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### *[www.nicta.org](http://www.nicta.org)\**

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