



VOLUME 1

*Fire Investigation Guide*

# PROPERTY FIRES

**NICB**

NATIONAL INSURANCE CRIME BUREAU

Fraud Solutions **NOW.**

---

# OVERVIEW

OF THE NATIONAL INSURANCE CRIME BUREAU  
FIRE INVESTIGATION GUIDE,  
PROPERTY FIRES

This National Insurance Crime Bureau (NICB) publication is a general guide designed to provide fire investigation assistance to law enforcement agents, claims professionals, NICB Special Agents and others involved in a fire investigation.

As part of a two-volume series on fire investigations (volume two focuses on vehicle fires), this publication is not to be used in determining the origin and cause of a fire. Rather, it provides background information, possible investigative steps and relevant reference material.

Each volume of the Fire Investigation Guide is divided into sections for easy reference by professionals involved in fire investigations. Not every section will pertain to every investigation or investigator. Further, the guide is not intended to be used in its entirety, as such, some sections will occasionally present duplicate information.

---

The Fire Investigation Guide, Volumes One and Two, are Researched and Compiled by the National Insurance Crime Bureau

# TABLE OF CONTENTS

---

## PART 1 – GENERAL INFORMATION

Acknowledgements .....	4
Foreword/Disclaimers .....	5
National Insurance Crime Bureau .....	6
NICB Regional Office Directory.....	7
Referral of Fire Investigations to the NICB.....	7
Fire Investigation.....	9
Vehicle Arson.....	10

## PART 2 – PROPERTY FIRES

### *Fire Investigation Guide*

Possible Motives for Arson or Arson for Profit .....	13
Investigating Arson-for-Profit Conspiracies .....	15
Interviewing the Insurance Agent and Claims Adjuster.....	17
Questioning the Insured, Witnesses, Employees and Others.....	17
Verifying Renovation or Construction Claims.....	18
Establishing Financial Worth and Motive of Suspect .....	19
Examining the Insurance Claim File .....	20
Verifying Claimed Contents Losses Following Residential Fires .....	21
Verifying Claimed Inventory Losses Following Commercial Fires.....	22
Investigating Fixed Asset Losses Following Commercial Losses .....	22
Verifying Loss of Rents Following Residential Fires .....	23
Verifying Business Interruption Losses Following Commercial Fires .....	23

### *Fire Claim Investigation Guide*

Initial Issues .....	25
Initial Scene Investigation.....	26
Scene Investigation .....	27
Documenting the Claim File.....	29
The Claim File.....	31
Conclusion .....	36

## PART 3 – APPENDICES

ISO .....	39
Definitions .....	41
Fire Claim Investigation Strategy .....	43
Personal Lines Fires .....	45
Commercial Lines Fires .....	46
Indicators of a Questionable Fire.....	47
Fire Claim Investigation Statement Guide .....	48
General ATF Arson Investigation Guide/Tips for Law Enforcement.....	50
General Guideline for Document Requests.....	56
General Guideline for Examination Under Oath .....	57
Conclusion .....	61

---



*Part I*

# GENERAL INFORMATION

# ACKNOWLEDGEMENTS

## *The International Association of Arson Investigators*

The International Association of Arson Investigators, Inc. (IAAI) is a non-profit organization representing the interests of more than 9,000 members worldwide. The IAAI is dedicated to the prevention and detection of arson, and promotes the training and professional development of fire investigators and others in related fields. The IAAI headquarters is located at 12770 Boenker Road, St. Louis, Missouri 63044 (phone: 314-739-4224, fax: 314-739-4219)

The National Insurance Crime Bureau gratefully acknowledges the assistance of the IAAI, especially the following members who contributed significantly to the Fire Investigation Guide:

**Kathy Suhey, CFI**

General Casualty Insurance  
One General Drive  
Sun Prairie, WI 53596  
(800) 362-5448

**Michael J. Pavlisin, Esq.**

O'Hagan, Smith & Amundsen  
3815 East Main Street, Suite A-1  
St. Charles, IL 60174  
(630) 587-7914

Vehicle fire edits/acknowledgement to:

**Bill Lundy, IAAI CFI, CIFI, CFEI, FCLS**

Midstates Investigations & Technical Services, Inc.  
Fire Origin & Cause, Insurance Claims and Professional Investigations  
P.O. Box 144  
Waunakee, WI 53597  
Ph/Fax: (608) 849-6487

The National Insurance Crime Bureau wishes to thank the following for their assistance in reviewing this guide's technical content:

**Joseph Toscano, CFI**

J. Toscano, FIS  
20 Carolyn Court  
North Haven, CT 06473  
(203) 996-5568

NICB Staff Members:

**William Schultz, Area 1 Director of Operations**

**Jason Grund, Analyst**

**Jim Hertz, Associate General Counsel**

**NICB Training Department**

**Ronnie Dean, Senior Special Agent**

The National Insurance Crime Bureau wishes to thank the following organizations for their invaluable help with the compilation of this guide:

**Bureau of Alcohol, Tobacco and Firearms**

**General Casualty Insurance Company**

**Grange Insurance Company**

**Liberty Mutual Insurance**

**Chilworth Technology**

**Donegal Group**

# FOREWORD

This publication is a collective effort of the National Insurance Crime Bureau, the International Association of Arson Investigators and many other organizations.

This guide suggests investigative approaches that can be employed as part of, or in conjunction with, the criminal investigation of a suspicious fire. It should be noted at the outset that employing all of the investigative procedures detailed in this guide for a single suspicious fire would be prohibitively time consuming. Usually, an investigator can isolate promising investigative avenues based on leads obtained during examination of the fire scene and in interviews with the insured, witnesses, neighbors, insurance personnel, firefighters and law enforcement agents.

Fire investigations can be very complex, requiring specialized expertise in areas such as origin and cause, accounting, inventory control, etc. This guide is intended to help users identify when specialized experts would be helpful in an investigation. This guide also does not describe how to determine “origin and cause” of a fire, as determining origin and cause often requires specially trained experts. More detailed information on origin and cause is available from the National Fire Protection Association ([www.nfpa.org](http://www.nfpa.org)), the International Association of Arson Investigators ([www.firearson.com](http://www.firearson.com)), as well as the Insurance Committee for Arson Control ([www.arsoncontrol.org](http://www.arsoncontrol.org)).

---

## NICB DISCLAIMER

The information presented in this publication is intended to assist NICB member companies, law enforcement agents and other professionals in conducting investigations of suspicious and/or incendiary fires. It was prepared as a broad outline of suggestions that may be useful during a fire investigation.

The Fire Investigation Guide is not intended to be an all-inclusive set of rules or procedures, and should only be utilized as a basic guide for conducting fire investigations. It is recommended that investigators have a thorough knowledge of internal company policies, local statutes, regulations and codes before beginning a fire investigation. Procedures described in this guide may not adhere to individual company policies and/or may deviate from individual jurisdiction laws and regulations. The procedures are intended to be general guidelines. As such, it is suggested that investigators always check their organization’s policies and local laws as appropriate.

## IAAI DISCLAIMER

Included herein is a suggested methodology for management of the suspected arson claim that may be relevant to your claim investigation. This methodology is not necessarily all comprehensive, nor applicable to all situations. Rather, it should be used only as a general guide in investigation, to allow for close consideration of what is material to the particular facts in your case and to applicable governing local law.



## THE NATIONAL INSURANCE CRIME BUREAU (NICB)

Headquartered in Des Plaines, Ill., the NICB is the nation's leading not-for-profit organization exclusively dedicated to preventing, detecting and defeating insurance fraud and vehicle theft through data analytics, investigations, training, legislative advocacy and public awareness. The NICB is supported by nearly 1,100 property/casualty insurance companies and self-insured organizations. To learn more, visit [www.nicb.org](http://www.nicb.org). Our membership includes approximately 1,000 commercial and personal line property/casualty insurers, self-insured companies, rental car companies, parking services providers, utility companies and transportation-related firms.

The NICB accepts its members' questionable insurance claims through online submission processes and, in many cases, cooperates with members, law enforcement officials and other public agencies to prevent, investigate and prosecute insurance crime.

The NICB does not in any way participate in claim settlements. Our agents must maintain strict confidentiality regarding any information shared with them by public law enforcement agencies.

The NICB can participate in joint investigations with public agencies and provide investigative solutions and expertise, in addition to the following resources:

- Confidential access to insurance files
- Expertise in analyzing insurance documents
- Expert witnesses
- Access to insurance claim histories

The NICB maintains a staff of approximately 150 special agents throughout the United States. Law enforcement and member company investigators are encouraged to contact the NICB to discuss any ongoing investigations or to request assistance.

# REFERRAL OF SPECIAL FIRE INVESTIGATIONS TO THE NICB

---

Refer fire claims to the NICB as:

- MANDATED BY STATE LAW OR STATUTES
- SUSPICIOUS FIRE CLAIMS

NICB member companies must refer questionable claims through the NICB "questionable claim" submission process via ISO ClaimSearch. This can be accomplished after the claim has been reported to ISO, or if the claim is not yet reported, the claim can be added during the questionable claim submission process.

Should a preliminary insurance investigation produce evidence as suggested in the "Arson Triangle" (see the Definitions appendix), the insurer should immediately invoke the provisions embodied in the Arson/Fraud section of the insurance policy.

---

---

## NATIONAL INSURANCE CRIME BUREAU REGIONAL OFFICE DIRECTORY

---

### **MIDWEST REGION (CHICAGO, IL)**

1111 East Touhy Ave., Suite 580  
Des Plaines, IL 60018  
Phone: 800.447.6282  
Fax: 847.544.7840

### **NORTHWEST REGION (SEATTLE, WA)**

3700 Pacific Hwy. East, Suite 409  
Fife, WA 98424  
Phone: 888.241.8130  
Fax: 253.896.0763

### **WEST REGION (LOS ANGELES, CA)**

2001 Financial Way, Suite 100  
Glendora, CA 91741  
Phone: 888.815.9064  
Fax: 626.963.9374

### **SOUTHWEST REGION (DALLAS, TX)**

320 Decker Dr., Suite 100  
Irving, TX 75062  
Phone: 888.241.8127  
Fax: 972.739.6027

### **SOUTHEAST REGION (TAMPA, FL)**

8800 Grand Oak Circle, Suite 690  
Tampa, FL 33637  
Phone: 888.241.8270  
Fax: 847.544.7201

### **MID-ATLANTIC REGION (WASHINGTON, D.C.)**

12701 Fair Lakes Circle, Suite 380  
Fairfax, VA 22033  
Phone: 888.241.7159  
Fax: 703.222.6410

### **NORTHEAST REGION (NEW YORK, NY)**

145 Pinelawn Rd., Suite 330 South  
Melville, NY 11747  
Phone: 888.241.8280  
Fax: 847.544.7635

### **FOREIGN OPERATIONS (CHULA VISTA, CA)**

891 Kuhn Dr., Suite 201  
Chula Vista, CA 91914  
Phone: 888.241.5021  
Fax: 619.482.8946

---

## MAJOR MEDICAL FRAUD TASK FORCE DIRECTORY

---

### **LOS ANGELES MMFTF**

15545 Devonshire St., Suite 309  
Mission Hills, CA 91345  
Phone: 818.895.2867  
Fax: 818.895.2822

### **HOUSTON MMFTF**

2900 North Loop West, Suite 1130  
Houston, TX 77092  
Phone: 832.426.6975  
Fax: 832.426.6899

### **CENTRAL FLORIDA MMFTF**

8800 Grand Oak Circle, Suite 690  
Tampa, FL 33637  
Phone: 888.241.8270  
Fax: 813.977.1525

### **SOUTH FLORIDA MMFTF**

13450 West Sunrise Blvd., Suite 330  
Sunrise, FL 33323  
Phone: 847.544.7140  
Fax: 847.544.7210

### **MID-ATLANTIC MMFTF**

510 Thornall St., Suite 260  
Edison, NJ 08837  
Phone: 732.516.7060  
Fax: 732.549.0951

### **WASHINGTON, D.C. MMFTF**

12701 Fair Lakes Circle, Suite 380  
Fairfax, VA 22033  
Phone: 888.241.7159  
Fax: 703.222.6410

### **NEW YORK MMFTF**

145 Pinelawn Rd., Suite 330 South  
Melville, NY 11747  
Phone: 888.241.8280  
Fax: 631.694.9236

### **CHICAGO MMFTF**

1111 E. Touhy Ave., Suite 580  
Des Plaines, IL 60018  
Phone: 800.447.6282  
Fax: 847.544.7840

*Fire Investigation is*  
**IMPORTANT**  
TO BOTH  
FIRE & POLICE AGENCIES  
AS WELL AS  
INSURANCE COMPANIES



## *There are 4 types of fires:*

ACCIDENTAL • NATURAL • UNDETERMINED • INCENDIARY

---

The various causes of accidental fires are limitless. Certain types of accidental fires may have the potential for subrogation. Subrogation claims may allow money to be collected from a third party. Some types of subrogation claims are from defects that have been the subject of vehicle or product recalls. In some instances, the reason for the “recall” may have caused the fire, allowing the insurer to collect from the manufacturer. Another type of potential subrogation claim is “work product” in which the “work” caused the fire (e.g. a plumber “sweating a pipe” caused a fire which burned down the house). This may provide a subrogation opportunity to collect money from the plumbing company.

Natural fires are when nature causes the fire (e.g. lightning, earthquakes, tornadoes, etc. causing fires to erupt).

An undetermined fire is where the “cause” cannot be established.

Incendiary fires are set intentionally (e.g. arson). Arson is a serious problem in the United States and is the nation’s number one cause of fires. It annually kills hundreds of Americans, injures thousands and results in billions of dollars in property damage. All too often, the public perceives arson solely as an insurance company issue. The following headlines gleaned from media reports in recent years exhibit various examples of property arson.

---

### HOME DETENTION FOR YOUNG ARSON SUSPECT

A 13-year-old boy accused of setting fire to a historic South Peoria church was released Thursday on home detention pending trial.

### STUDENTS CHARGED WITH ARSON IN SCHOOL PRANK

Two Binghamton-area high school students face felony arson charges after an elaborate smoke bomb and fireworks stunt at their school.

### TEEN FACES ARSON CHARGES FOR HOUSE FIRE

Investigators say the fire at a home on Santa Barbara Place just before midnight Sunday was set by a 13-year-old boy playing with a cigarette lighter. The boy was reportedly trying to set his mattress on fire. He has been charged with one count of arson.

### ARSON SUSPECTS CONNECTED TO SECOND CRIME

Police have linked the suspects in a Summerville church fire to a crime against a vulnerable elderly person in Myrtle Beach.

### FIREFIGHTER GETS PRISON FOR ARSON

A volunteer firefighter turned firebug who put East Northport on edge with a series of arsons, was sentenced Wednesday to two to six years in prison by a Suffolk County Court judge.

### AUTHOR OF FIRE BOOK ACCUSED OF ARSON

The co-author of a book concerning an arson fire faces charges of setting a fire at a Roman Catholic parish nearly half a century after he wrote the book.

### FIVE ARRESTED IN ARSON HATE CRIME

Firefighters rushed to two Terrace Avenue houses at 2:30 in the morning on May 30. The flames and smoke billowed into the air, burning trees and even neighboring houses. Now detectives say the gang leader responsible committed a hate crime.

### SERIAL ARSON SUSPECT PLEADS GUILTY

A 50-year-old man pleaded guilty Monday in U.S. District Court to first-degree murder in the death of an 86-year-old woman who died of smoke inhalation from a fire in her Washington home.

# MOTIVES

---

As the motives for, and incidents of, arson increase, it is critical to have sufficient research, resources and training available to adequately address the arson problem in the United States. Two primary motives are arson for profit and insurance fraud.

## 1. ARSON FOR PROFIT

Arson for profit can be economically lucrative and is often associated with other crimes. However, arson for profit is a classic method for committing insurance fraud, where the motive is usually financial. The goal is to make money, alleviate debt, or eliminate unprofitable inventory or undesirable property. Please see specific fraud motives below.

## 2. INSURANCE FRAUD

There are many potential motives or reasons for burning buildings or property to collect insurance.

Some of the more common are:

1. To alleviate financial problems, such as heavy debts, pending bankruptcy, etc.
  2. To liquidate old or un-sellable inventory or stock.
  3. To replace old or damaged equipment.
  4. To get out of unprofitable lease(s).
  5. To cancel unprofitable contracts.
  6. To cover other crimes, such as tax evasion.
  7. To avoid compliance with local health, building or zoning codes.
  8. To quickly liquidate a business.
  9. To dispose of chemicals which have been outlawed by government agencies.
  10. To solve management or ownership squabbles.
  11. To get rid of leased or rental property that is yielding diminishing returns.
  12. To make a profit by inflating stock and/or equipment on claims, claiming the loss of nonexistent property, or selling the property before claiming its loss.
- 

# VEHICLE ARSON

---

(For more detailed information on vehicle arson, please refer to the NICB's Fire Investigation Guide, Volume Two, which covers vehicle fires.)

Vehicle arson can be used to facilitate fraud. The planned, intentional burning of a vehicle in order to defraud an insurance company by collecting an insurance payoff is an increasingly common scheme. Records indicate that fire destroys thousands of vehicles each year. This crime is not limited to professional thieves, but is also perpetrated by average vehicle owners who may be influenced by financial, domestic and/or mechanical problems.

Since vehicles contain large amounts of combustible material, people incorrectly assume that a fire will easily consume the vehicle. Therefore, when the owner encounters problems, the possibility of an "accidental" fire becomes a way out.

Vehicles do contain flammable materials as well as mechanical systems that generate sources of combustion. Gasoline, diesel fuel, motor oil, transmission and brake fluids are present along with acids, electrical sparks and heat. Vehicles are constructed with many plastic derivatives from petroleum products and other synthetic fabrics, all of which will burn given the proper conditions. Safety and engineering designs, however, include priority measures taken to protect vehicles from accidental fire. Manufacturers have made it very difficult for a vehicle to burn under normal conditions.

However, with constant changes in vehicle materials and designs, it becomes essential for an investigator to treat each case individually with its own related circumstances. Information gathered in a thorough and detailed inspection of the burned vehicle can pinpoint specific causes and effects inherent to intentionally set, rather than accidental, fires.

---

*Part II*

PROPERTY  
FIRES

A person in a dark suit is walking in a hallway, holding a bottle of wine. The scene is dimly lit, with a warm, yellowish light source on the right. The person is in the foreground, and the hallway leads into the distance. The text is overlaid on the image.

*Fire Investigation Guide*

# POSSIBLE MOTIVES

FOR ARSON OR  
ARSON FOR PROFIT

---

#### FOR COMMERCIAL BUILDINGS

- Poor business
  - Most common
  - May be perpetrated by owner
  - Could be the idea or suggestion of someone he/she owes

#### DESIRE TO RELOCATE

- Changing neighborhood
- Business may not yet have felt effects of change
- Will try for a total fire

#### LOSS OF BUSINESS DUE TO THIRD-PARTY ACTION OR NATURAL CATASTROPHE

- Event has had, or will have, a disastrous effect on the business
- Will be a total fire

#### SATISFACTION OF AN ILLEGAL LOAN OR GAMBLING DEBT

- Owner incurs heavy gambling debt or is forced to obtain juice loan
- Can't repay
- Must quickly liquidate assets to pay
- Either his/her idea to burn or that of the person he/she owes money to
- Difficult to prove because the cause itself is illegal
- Will try for a total fire

#### INVENTORY PROBLEMS – BUSINESS NOT THE TARGET, BUT A SPECIFIC ITEM WITHIN THE BUSINESS

- Regular business pattern disrupted
- Loss in profit
- Overstocked – overproduction
- Sudden loss of market
- Cancellation of contract
- Directed at contents
- Much smoke and water damage
- Owner may try to destroy more with water after the fire

#### OUTMODED TECHNOLOGY

- Equipment is no longer functional or cost effective
- Fire will be directed specifically at machinery
- Fire will be a partial one
- There are some cases in which the business is not facing a loss of revenue, but the arson is committed to increase their financial gain

#### LACK OF PROPER FACILITIES

- Business doing well
- Arson done to rebuild a bigger facility
- Arson done to relocate
- Profit is much greater than selling
- Will try for a total fire

#### DESIRE TO REMODEL

- Owner simply wants insurance company to pay the cost
- Partial fire, much smoke and water damage

#### OWNER WANTS TO GET OUT OF THE BUSINESS

- Instead of selling, owner quickly liquidates assets at much higher profit
- Sells land separately
- May have personal reasons for leaving business
- Will usually have no plans to go back into business

### LEASE PROBLEMS

- Both owner and renter are suspects
- Arson could be result of lease arrangements
- Fire usually voids a lease
- Unprofitable lease, this could be a solution
- Fire could be a total or partial

### SCAM OPERATION

- Business is purchased – owner forced out
- Run poorly
- Money skimmed
- Money could be laundered
- Arson is final step in the scheme
- Total fire – usually professional
- Could involve union funds instead of personal funds of owners

### INCOME PROPERTY

- Slumlord
- Systematic planned scheme
- Buys speculatively
- Allows to deteriorate even more
- Major problem in most large cities
- May be insured under fair plan

### FOR BUILDINGS HAVING SEVERAL FIRES

- Most not with accelerants
- Not always arson for profit
- Could be the tenants
- Could be revenge, i.e., street gangs
- Owner can instigate fire
- If arson for profit by owner, accelerant will be used
- Building will change hands often, conceal ownership
- Owner will try for a total fire
- Most difficult case to make – discovering the scheme is hardest part

### FOR INDIVIDUAL LANDLORD/INDIVIDUAL BUILDINGS

- Could be one of many causes:
  - Losing money
  - Depreciating value
  - Changing neighborhood
  - Foreclosure
  - Urban renewal
  - Remodeling
  - Owner in a panic situation
- Will be designated for a total fire unless remodeling is the motive
- Could be tenant or people in neighborhood

### FOR ARSON PERPETRATED BY A THIRD PARTY

- Elimination of business competition
- Competitor feels financially threatened
- New business often the victim

- May try to destroy competitor or disrupt business
- Illegal businesses often the target
- Could be industrial sabotage

### EXTORTION

- Many possibilities as to who is responsible:
  - Supplier
  - Organized crime wants control or money
- Will be partial fire or a series of partial fires
- Followed by a total fire

### UNION PRESSURE

- Arson can be a weapon of union supporters operating outside the law:
  - Gain a concession
  - Settle a strike
- Partial fire (could be a series of partial fires)

### IMPORTANT ITEMS TO REMEMBER

- Arson-for-profit schemes are often conspiratorial:
  - Organized crime
  - Ethnic groups

### KNOW THE BUSINESS YOU ARE DEALING WITH

- Motive could be closely tied to type of business
- Fluctuating business cycles will often determine when fire occurs:
  - Businesses will usually burn towards end of month, after a month of sales and before bills arrive
- Income properties will usually burn after the rent deadline

### ARSON COMMITTED TO HIDE A FINANCIAL CRIME

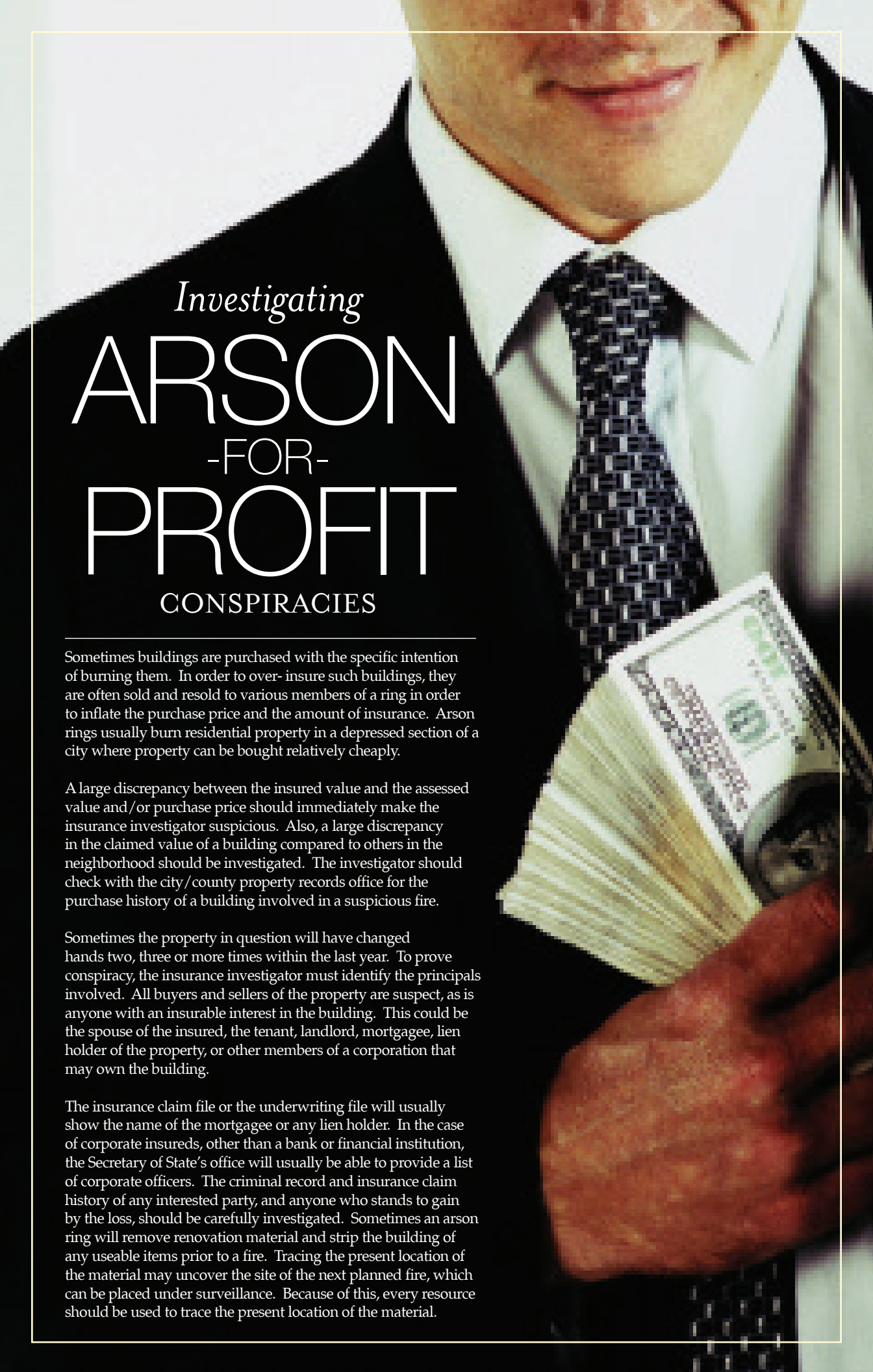
- Business records burned to avoid audit
- Lawsuits

### ACTS OF PERPETRATORS DESIGNED TO LESSEN SUSPICION

- Remodel before fire
- Competitor files lawsuit
- Fire starts in adjoining premises

### FOR RESIDENCES AND PERSONAL PROPERTY

- Causes would be much the same as indicated for commercial properties
- Especially in times when homes are not selling
- Directed at cars, boats, interior furnishings



*Investigating*  
**ARSON**  
*-FOR-*  
**PROFIT**  
**CONSPIRACIES**

---

Sometimes buildings are purchased with the specific intention of burning them. In order to over-insure such buildings, they are often sold and resold to various members of a ring in order to inflate the purchase price and the amount of insurance. Arson rings usually burn residential property in a depressed section of a city where property can be bought relatively cheaply.

A large discrepancy between the insured value and the assessed value and/or purchase price should immediately make the insurance investigator suspicious. Also, a large discrepancy in the claimed value of a building compared to others in the neighborhood should be investigated. The investigator should check with the city/county property records office for the purchase history of a building involved in a suspicious fire.

Sometimes the property in question will have changed hands two, three or more times within the last year. To prove conspiracy, the insurance investigator must identify the principals involved. All buyers and sellers of the property are suspect, as is anyone with an insurable interest in the building. This could be the spouse of the insured, the tenant, landlord, mortgagee, lien holder of the property, or other members of a corporation that may own the building.

The insurance claim file or the underwriting file will usually show the name of the mortgagee or any lien holder. In the case of corporate insureds, other than a bank or financial institution, the Secretary of State's office will usually be able to provide a list of corporate officers. The criminal record and insurance claim history of any interested party, and anyone who stands to gain by the loss, should be carefully investigated. Sometimes an arson ring will remove renovation material and strip the building of any useable items prior to a fire. Tracing the present location of the material may uncover the site of the next planned fire, which can be placed under surveillance. Because of this, every resource should be used to trace the present location of the material.

ANY QUESTIONING SHOULD HELP TO

# CONFIRM OR DENY

ANY SUSPICION



## *Interviewing the* **INSURANCE AGENT AND CLAIMS ADJUSTER**

---

Any questioning should help to confirm or deny any suspicion the investigator may have about the intent of the insured to defraud the insurance carrier. Often, the next person to contact will be the insurance agent, sales person, broker or “producer” who sold the policy. The investigator should review the following areas:

- Knowledge of the insured.
- Knowledge of the property, including unusually expensive contents.
- Insured’s previous insurance carrier.
- Insured’s previous address.
- Any special coverages.
- Any recent inquiries by insured regarding coverage.
- Any renovations or new construction.

Next, the investigator may wish to contact the claims adjuster assigned to handle the claim. Often, the claims adjuster will routinely contact the investigator early in the investigation to inquire or inform about the origin and cause of the fire. At this stage, the claim file will usually contain very little documentation, but the claims adjuster may have uncovered cause for suspicion and may also be able to provide useful information, as well as several leads worth pursuing.

Contact with the claims adjuster representing the insurance company will be very important once the insured has submitted the loss documentation and the claim process is nearing completion.

---

## *Questioning the* **INSURED, WITNESSES, EMPLOYEES AND OTHERS**

---

Assuming evidence from the fire scene indicates an incendiary cause and/or possible arson for profit, the investigator should interview the insured whether he/she is the owner of the building or a tenant. Potentially revealing questions following residential fires are:

- Does the insured have any pets? Did they survive the fire? Often pets will be suspiciously absent from a planned fire.
- What kind of insurance does the insured have?
- How much coverage on the contents of the building or apartment?
- Which insurance agents, brokers or salespersons sold the insured his policies?
- Are there any special items covered by either the homeowner’s or tenant’s policy, or any separate policies or endorsements?
- Has there been a recent increase in coverage? If so, why?
- If recent renovations or improvements were made, who performed the work?
- Were any special items or collections destroyed by the fire?

Having already made an inventory of items damaged or destroyed in the fire, the investigator is now in a position to check his list against the claims of the insured. To make sure, the investigator may wish to return to the fire scene and verify any alleged expensive losses.

- Have any items been removed from the fire scene?
- Was the residence for sale?
- Who holds the mortgage or any liens on the insured property?
- For apartment buildings, how many of the units were occupied at the time of loss?
- Does the insured have lost rent coverage?

For commercial losses, the following questions, in addition to many of the above, should be asked of any owners, partners or principals:

- What was the state of the business?
  - Was it a money winner or loser?
  - Was business on the upswing or the decline?
  - Does the insured have business interruption coverage?
  - Is the business a “seasonal” type business and are there inventory and income fluctuations?
-



Having interviewed the insured, the investigator should next question the neighbors or tenants of the insured in search of possible contradictory information. Potentially revealing questions are:

- Have there been any unusual activities around the building in the last six months?
- Were there any burglaries in the past year?
- Has there been a moving van there lately?
- Has the insured moved anything out of the building recently, e.g., equipment, tools, etc.?
- Has the building been for sale?
- Did the insured own expensive items such as large equipment, machines, expensive tools or sporting equipment?

When investigating a suspicious business fire, similar questions should be asked of neighboring residents or businesses, as well as any available employees. Former employees may also be a valuable source of information. Such questions may reveal either the removal of items from the premises before the fire and/or the substitution of worthless stock or inventory. The investigator may wish to return to the fire scene to confirm or deny any leads. Any information regarding burglaries in the past year that the investigator uncovers may help in locating prior and/or possible duplicate claims on the insured property.

## *Verifying* RENOVATION OR CONSTRUCTION CLAIMS

---

While investigation of many of the leads will have to await completion of the insurance claim file -- especially the submission of the Proof of Loss statement -- some immediate investigative work can be pursued regarding reported renovations or new construction. Oftentimes prior to suspicious building fires, insureds acquire additional insurance for renovation or construction that is never done. Construction materials may be removed from the building or immediate grounds before the fire.

To begin an investigation of a fire during a renovation or new construction, the first step is to obtain a copy of the building permit from the appropriate city, town or county office. Failure of the insured to have a building permit may indicate fraud.

If a permit was issued, it will list the name of the principal contractor. He/she should be interviewed to determine the amount of work done and the materials present when the fire occurred. He/she may also supply the names of any subcontractors, who likewise should be interviewed. If carpentry, masonry, painting or other trade union work was allegedly done, the local trade union can often furnish the names of workers hired by the insured or principal contractor. They too should be interviewed to determine how much work was completed and what materials were present at the time of the fire.

If the insured reports having personally done the renovations, or employing friends or relatives, then questioning of neighbors may reveal that little or no actual work was done, that no materials were delivered to the site, or that materials were removed prior to the fire. Friends or family allegedly involved in renovation work may even deny such activity and be willing to testify to that effect. Suppliers of materials, if known, should be contacted to determine amounts of purchases, dates of delivery, and the address to which the materials were delivered.

---

*Establishing*  
**FINANCIAL WORTH AND MOTIVE  
OF THE INSURED**

---

It is difficult to deny a claim based on an insured violating the terms of their contract/policy (by intentionally setting fire to his/her insured property), unless a motive can be firmly established. In the case of arson for profit, the motive will usually be financial. However, an investigator must also investigate possible motives by people other than the insured, including, but not limited to, jealousy, revenge, hate crimes, etc. Attempting to establish the motive may also provide additional fruitful leads for investigating fraud crimes.

In commercial losses, the claims adjuster should audit the business or hire a professional to do so. Nevertheless, the investigator can assist the auditor's work by ascertaining the home address of any owners, partners or corporate officers, and then investigating the following, which usually can be done online:

- Local Tax Agency – for the status of each individual's residential property. If delinquent, then the amount and term of delinquency, along with the accrued interest charges, should be recorded.
- County Clerk – for information regarding judgments entered against any principals.
- County Courthouse – for record of lawsuits or judgments, and other civil or criminal matters.
- Credit Report – If the investigator is authorized, he or she should get a copy of the insured's credit report to review for financial difficulties such as unpaid bills.
- Federal Bankruptcy Court – for information regarding bankruptcies. Review "Proof of Claim" forms submitted by creditors for possible evidence of fraud.
- Federal Courts – for any civil or criminal matters.

The investigator should also contact the local housing authority, code enforcement or building department to determine if the building was condemned or ordered razed, and if so, to establish the reason for condemnation and/or the scheduled date of razing. Of course, the building may not have reached such a state of deterioration. The insured may have tried unsuccessfully to sell or lease the building. The investigator should check with local realtors to determine if the property was listed for sale within the past 12 months. If so, he/she should establish the following:

- How long was the property listed?
- What is the owner's original asking price?
- Have there been any reductions in price?
- How many offers were made?
- What is the amount of the highest offer?
- What is the market value of the property?
- Realtor's opinion as to why the property was not sold or leased.

Should the discrepancy between the offers made and the asking price be considerable, the insured may have decided to resort to arson. He/she may also have recently taken out extra insurance, far exceeding the property's market value.

A common reason for burning residential property by an insured is a delinquency in mortgage payments. The investigator should determine the following from the mortgage:

- Amount and frequency of payments.
- Terms of mortgage? Increases? Status? Rates and type (ARM, fixed, etc.)?
- Was the mortgagee behind in payments? If so, by how much?
- Extensions granted or requested.
- Interest charges accruing on delinquent payments.
- Whether foreclosure proceedings have been initiated.

---

AN IMPORTANT STEP IS TO EXAMINE THE INSURANCE CLAIM FILE,  
*which is often lengthy and complicated.*

## *Examining the* **INSURANCE CLAIM FILE**

---

The insurance file should include all or some of the following items:

- Copy of settlement draft and release, if the claim has been settled.
- Adjuster's report or log.
- Statements, depositions and/or sworn statements of witnesses.
- Investigative reports from attorneys and/or governmental agencies.
- Transcripts of examination under oath of insured.
- Title search summary.
- Response from the Insurance Services Office (ISO) indicating a previous fire or burglary loss on the part of the insured or other person with an insurable interest (see the description of "ISO" in this publication's Appendices section).
- Proof of Loss statement/property inventory.

### **SUPPORTING DOCUMENTS**

- Invoices.
- Cancelled checks.
- Account books.
- Stock registers and other financial records.
- Sales receipts.
- Rent receipts.
- Renovation bills.
- Bills of sale.
- Fire/arson investigator's report.
- Expert opinion reports, including chemical and engineering analyses of fire debris.
- Notice of loss.
- Fire department alarm and fire report.
- Other public agency investigative reports (fire marshal, police, etc.).
- 911 logs and tapes.
- Dispatch logs.
- Photographs of fire scene.
- Floor plan diagram.
- Building inspection reports by city agency or insurance inspector.
- Insurance policy declarations (summary of coverage).
- Insurance application.

The most important part of the claim file will be the Proof of Loss statement, property inventory and supporting documents. Essentially, the Proof of Loss statement will be a listing of the destroyed contents of the burned building, providing a description of each individual piece of property, the date of acquisition, and either the cost at time of purchase or an estimate of actual cash or replacement value. In residential losses, the Proof of Loss will usually be organized as a room-by-room inventory. In commercial losses, the Proof of Loss will often be divided into two categories: inventory (raw materials and/or finished goods ready for sale), and fixed assets (fixtures, furniture, display cases, office equipment, factory machinery, vehicles, etc.).

The insurance investigator should compare his inventory list, if one was made, with the insured's claim. Should there be a substantial discrepancy, it may strongly suggest fraud.

Attention should also be paid to whether two or more claims have been made on the same damaged or lost property. Duplication of losses reported in previous fire or burglary claims would possibly indicate fraud. See the appendix regarding ISO concerning prior claims. When obtaining the insurance file, the investigator should re-interview the claims adjuster. Not only can the claims adjuster answer any questions about the insurance file, he/she can also provide positive identification of the person who received the settlement draft that was based on the suspected fraudulent documents and false representations.

---

*Verifying*  
**CLAIMED CONTENTS LOSSES  
FOLLOWING RESIDENTIAL FIRES**

---

Verifying supporting documents is a crucial procedure in the investigation of fraud and arson for profit. The value of property claimed lost may be inflated, the property may have never existed, or it may have been removed before the fire. If receipts were submitted, the investigator should contact the supplier or retailer and verify the following:

- The receipt is the type normally used.
- The goods described by sales personnel are normally handled by them.
- The price of each item is correct for the date of sale.
- The sales tax is correct.
- The receipt was printed from a register.
- The department number is correct.
- The serial number is appropriate to the date of sale.
- The initials of the salesperson correspond with store records at the time of sale.

Should the purchase be confirmed, the insurance investigator should ask the supplier or retailer to check store records to see if the property was returned, repossessed or shipped to a location other than the one where the fire occurred. Sometimes there are no receipts for items bought from individual sellers or contractors. If they can be located, they should be asked to verify the following:

- Date of sale.
- Description of property.
- Condition of property at time of sale.
- The price.
- The buyer.

With regard to unusually expensive items such as jewelry or art, an appraiser's report is usually included in the insurance application or the underwriter's file. The investigator may wish to interview the appraiser to verify the owner, value and description of the item.

When a claim is inflated, the insured often states that all personal papers were destroyed in the fire and sales receipts are not available. However, a complete description of any unusually expensive property should be included in the examination under oath and the claims adjuster will usually have verified the value. The purchase may have been made by credit card or personal check and records of these will exist. A search by the credit manager where the purchase was charged, by the issuer of the credit card, or by the appropriate branch bank manager should provide the necessary confirmation of the purchase and price.

If no record of a large purchase is found, the insured will probably state that the purchase was made in cash. However, large cash purchases are unusual and, if reported to be recent, may be remembered by sales personnel. If sales personnel positively state that no such purchase was made, this can be corroborated in court by store records.

---



## *Verifying* CLAIMED INVENTORY LOSSES FOLLOWING COMMERCIAL FIRES

---

If the claim includes indemnification under contents coverage for loss of inventory, the value of the inventory must be verified. For a manufacturer, inventory includes raw and packaging materials, as well as finished goods. For others, inventory includes goods purchased for resale. Fraudulent inventory claims usually involve one of the following:

- Overstating the value of the inventory.
- Claiming inventory that didn't exist.
- Removing inventory from premises before the fire.
- Substituting cheaper goods.

The method of investigating commercial inventory losses is similar to that for residential contents losses. It requires examining the list of claimed losses, visiting the alleged suppliers (submitted invoices, cancelled checks or the examination under oath will indicate who, what, when and where), verifying the amount and date of purchase for merchandise acquired, date delivered and date paid. Attention again should be given to the possible alteration or forgery of invoices. The insurance investigator should also ask whether any of the merchandise has been returned or was shipped to a different location. Even when the Proof of Loss documentation bears up under examination, there are other avenues worth investigating.

Inventory is sometimes burned because it is out of date and therefore not sellable. To prove this type of fraud, it may be necessary to have expert witnesses from reputable firms in the same line of business testify to the value of the inventory. In addition, state agencies that monitor such inventory as drugs, food or agricultural supplies should be contacted if the insured claims the loss of a significant amount of such items after a fire. The state's records may show the real inventory to be far below the inventory claimed loss. Its records may further reveal tainted food items or a prohibition against the sale of certain drugs due to passage of a new regulation.

---

## *Investigating* FIXED ASSET LOSSES FOLLOWING COMMERCIAL FIRES

---

Fixed assets are capital items and not intended for sale. They can include furniture, fixtures, office equipment (including computers, printers and fax machines), factory machinery, vehicles and any other property used by the firm to produce or sell goods. Insurance coverage for fixed assets may be based on their depreciated value, their actual cash value or their replacement value. Replacement value coverage will obviously provide the most lucrative return to an arson-prone business person, and any recent upgrading of coverage to include replacement value for fixed assets should be closely examined, especially if the fixed assets claimed destroyed in the fire were old or in a state of disrepair. Fraudulent claims based on fixed asset losses usually involve one of the following:

- Destroying unneeded equipment to turn it into cash.
- Destroying old equipment to replace it with new.
- Removing good equipment before the fire.
- Replacing good equipment with old, valueless equipment before the fire.
- Claiming losses for equipment that never existed.

The procedure of verifying losses of fixed assets is the same as verifying inventory losses. If no evidence of fraud is obtained through interviews with vendors and verification of invoices, other lines of inquiry may be helpful.

The insurance investigator should interview the employees of the firm to determine if the equipment was in good repair and in use at the time of the fire, or if it was removed and replaced with valueless equipment prior to the fire. From the firm's records or employees, or in some cases the manufacturer or supplier, the name of the repair service can be obtained. The repair company's records will show the service history. The employee who serviced the equipment should be interviewed regarding its condition.

---

*Verifying*  
**LOSS OF RENTS FOLLOWING  
RESIDENTIAL FIRES**

---

Loss of rents coverage on residential property reimburses the insured for the loss of rents incurred as a result of the fire. The Proof of Loss documents will include copies of rent receipts or rent books, or the names and rents of tenants supplied by the insured. Proof of fraud can be established through evidence that the apartments were vacant at the time of the fire. This proof will usually be found through one or more of the following sources:

- Utility company records of each apartment that show no use of gas or electricity, water or discontinued service.
  - Local cable/Internet providers.
  - Phone company records that indicate no installation of equipment in apartments, or discontinued service.
  - Waste management services.
  - Mail carrier who can testify that no mail was delivered to the building or the alleged apartment tenants.
  - Neighbors who can testify that the building was vacant.
  - Local building ordinance violations.
  - Local police officer who can testify that the building was vacant, especially if reports of vandals or transients in the building were investigated.
- 

*Verifying*  
**BUSINESS INTERRUPTION LOSSES  
FOLLOWING COMMERCIAL FIRES**

---

Business interruption coverage reimburses the insured for profits/business lost due to refurbishing or relocating after a fire. To prove these claims fraudulent or inflated, it is necessary to establish that actual current profits are less than those claimed by the insured. In many suspicious fire losses, it will be found that no business was being done at all. The best proof that profits were less than claimed is from the business' daily records. However, all records are usually reported destroyed in these claims, so this evidence may not be available. If the records were falsified rather than destroyed, an audit can quickly uncover misrepresentation. Business interruption claims are proved fraudulent or inflated through evidence that the firm was not doing as much business as claimed.

The insurance investigator should check local utility and telephone company records for recent billings. If bills were for small or minimal amounts, this is evidence that little or no business was being done. He/she should locate the stationer who supplied the firm's office supplies. Many firms use a local stationer who in most cases charges the purchases and renders a monthly bill. Examination of the accounts rendered by the insured will often reveal a past due status with no supplies bought recently. Investigators should locate the supplier of the firm's inventory to determine the amount of sales, deliveries and returns for six months prior to the fire. The insurance investigator should also interview the owners and employees of neighboring businesses for information on the number of customers, deliveries, sales, etc. If all else fails and suspicion of fraud is still strong, the insurance investigator should interview the employees of the insured to determine whether or not the business was in operation and to what extent.

Many businesses will also have their business records with an outside accountant. These records should not have been destroyed in the fire. The investigator should find out who did the accounting and tax returns for the business, and review those records or call in an expert, such as a forensic accountant, to review the records to help determine whether the claimed extent of the business before the fire matches the business' actual accounting records.

---

*Fire Claim Investigation Guide*

FROM

# NOTICE OF LOSS

THROUGH

DETERMINATION OF THE

# CLAIM



*After a careful and thorough investigation, a fire claim can be classified in any manner, whether it is intentional, accidental, natural or undetermined. No investigation should begin with a preconceived conclusion, especially concerning the type of fire.*

*Below is a suggested methodology for managing the fire claim, including those that may ultimately be determined as arson. This methodology addresses from the Notice of Loss through determination of the claim. This methodology is not necessarily completely comprehensive, nor applicable to all situations. Rather, it should be used only as a general investigation guide, allowing for close consideration of what is material to the particular facts in your case and to applicable governing local law.*

## INITIAL ISSUES

---

### A REVIEW INSURANCE POLICY AND HISTORY.

---

- 1 Examine the loss report submitted to the insurance company and interview the person who took the Notice of Loss from the insured.
- 2 Verify coverage – is the loss a covered loss and was the policy in effect at the time of the loss?
- 3 What, if any, insurance policies (including endorsements) are in effect?
  - This includes other insurance by co-tenant or building owner and liability policies for insured or others.
- 4 Review the underwriting file, including the application for insurance, appraisals and history of transaction changes.
  - Was new coverage added or deleted recently?
  - Were there any recent changes in endorsements?
  - Was the policy amount recently increased?
  - Is cancellation in progress?
  - Are there underwriting notes regarding the risk?
  - Are there other lines of business? What is the status of those?
  - Are there other policies that may apply?
- 5 Review the agency file and interview the person who took the application for insurance from the insured, including the accuracy of the information on the application.
- 6 Compare the Notice of Loss with the underwriting file and agency file.
  - Is the information consistent between the files?
  - Are there any discrepancies?
- 7 Be aware of relevant underwriting procedure manual provisions.
- 8 Is the application for insurance attached to the policy? (This is relevant in some states regarding fraudulent misrepresentation issue.)
  - If there is misrepresentation in the application, is it “material,” i.e., would it have affected the underwriting of the insurance and/or the premium paid?
  - What were the circumstances under which the application was taken (i.e., signed, telephone, etc.)?
  - To what extent did the policyholder directly contribute to potentially “material” misrepresentations?
- 9 Identify the named insured and all other parties with potential rights under the policy or against the property, including mortgagees, lien holders, co-payees, and additional insured(s).
- 10 Determine the age of the policy and prior claim history.
- 11 Become familiar with this particular insurance policy and endorsements and provisions, including duties of the insured, and requirements of the insurer, and reconcile with any state Fair Claims Practice Act requirements. Statute generally prevails over policy, if more restrictive.

---

**B CONTACT LAW ENFORCEMENT, THE FIRE DEPARTMENT AND ANY OTHERS INVESTIGATING THE FIRE.**

---

- What is their opinion with regard to the origin and cause of the fire, and what, if any, investigations are they conducting?
  - If appropriate, try to obtain copies of any incident reports, investigation reports, etc.
- 

**C BASED UPON WHAT HAS BEEN LEARNED SO FAR, THE FOLLOWING QUESTIONS SHOULD BE ASKED. IT SHOULD BE NOTED THAT IT MAY NOT BE NECESSARY TO COMPLETE ALL OF THE BELOW BEFORE CONTACTING THE INSURANCE COMPANY'S SPECIAL INVESTIGATION UNIT (SIU). COMPANIES MAY HAVE DIFFERENT GUIDELINES OR PROCEDURES REGARDING SIU INVOLVEMENT.**

---

- Are NICB fraud indicators present?
  - Should the insurance company's special investigation unit be contacted?
  - Should a specialized origin and cause expert be retained?
  - Are additional experts, such as engineers or accountants, required?
  - Should the company's in-house counsel be notified or outside counsel retained?
- 

## INITIAL SCENE INVESTIGATION

---

**A CONTACT AND MEET WITH THE INSURED.**

---

- 1 Obtain a signed consent to enter and inspect the fire scene (most insurance contracts provide for inspection and exhibition of damaged property).
  - 2 Explain the coverage(s) to the insured.
  - 3 Take a recorded statement. It is suggested that the statement be taken at a separate location from the loss and after the scene has been inspected, but before the insured receives any information concerning what was found or what is being done at the scene.
  - 4 A suggested format for taking a statement is provided in this publication's appendices.
- 

**B DETERMINE STATUS OF SECURING THE SCENE – WHETHER BY PUBLIC OFFICIALS, THE INSURED OR THE INSURANCE COMPANY.**

---

**C CONSIDER BOARDING UP THE PREMISES TO PRESERVE EVIDENCE, HELP AVOID AN ALLEGATION OF "SPOILIATION OF EVIDENCE," AND TO PROTECT THE PROPERTY FROM FURTHER DAMAGE OR LOSS AND/OR LIABILITY EXPOSURE.**

---

**D ARE EXCAVATION AND/OR DEMOLITION NECESSARY FOR ORIGIN AND CAUSE INVESTIGATION?**

---

- 1 If so, arrange as soon as possible with the insured and his public adjuster and/or attorney, if any.
  - 2 Make sure the property is secured and carefully preserve the chain of evidence.
  - 3 Identify any "potentially interested parties" as soon as possible, and consider whether it is feasible to notify them before the fire scene is altered.
  - 4 Remember that spoliation of evidence can be a sword or shield in fire-related claims and litigation.
  - 5 Will the local government, another insurance company, the insured or some other entity share in the cost of excavation/demolition?
  - 6 What part of the cost of excavation is investigative expense, rather than debris removal that may be covered under the policy?
  - 7 What are the policy limits for debris removal coverage?
-

## SCENE INVESTIGATION

---

### A INSPECT THE FIRE SCENE. THIS COULD BE PERFORMED BY THE FOLLOWING PROFESSIONALS:

---

- 1 Claim Staff.
- 2 Special Investigation Unit.
- 3 Origin and Cause (O&C) Experts.
- 4 Private Investigator.
- 5 Certified Origin and Cause Experts.
- 6 Others.

### B CONSIDER WHETHER TO RETAIN INVESTIGATIVE EXPERTS (O&C) AND/OR COUNSEL.

---

Other experts may be needed as the investigation progresses, including:

- Accelerant-detecting canine.
- Electrical, mechanical or other engineer.
- These additional experts may be suggested by the O&C expert.
- Consider applicability of license and statutes for origin and cause investigators, professional engineers.
- Laboratory analysis.

## REMEMBER:

---

The strength of the factual evidentiary basis for each opinion is just as crucial as the opinion itself. Gut feelings are simply not enough. Also ensure that the experts understand the dangers of the appearance that there has been a conclusion prior to a completed investigation, and of the dangers of flip, offhand comments, either orally or in their records that might be the basis of controversy later on. Don't assume any expert understands these concepts unless you have dealt with them previously.

Selection of experts (O&C, engineers, etc.) is one of the most important decisions made during the investigative process. Carriers should consider establishing an in-house protocol creating guidelines to ensure the experts they select to represent their companies are qualified to offer expert testimony in a court of law. The protocol should include language explaining the importance of scientifically sound validation of opinions and the consequences of an opinion that has not been validated (Daubert challenge).

Your fire investigative experts should have a working knowledge of up-to-date reference resources which may be applicable, including for example, the latest editions of: NFPA 921, Guide for Fire and Explosion Investigation; NFPA 1033, Standards for Professional Qualifications for Fire Investigators; NFPA Fire Protection Handbook; and Kirk's Fire Investigation (John DeHaan, PhD).

The credibility and admissibility of their expert opinions during cross-examination will depend upon the methodology employed during the investigation, documentation of the investigative facts and circumstances, reliability of their opinions and awareness of certain issues raised by these reference materials.

### A CONSIDER RETAINING DEFENSE COUNSEL IMMEDIATELY TO ASSIST IN PRESERVING AND SECURING EVIDENCE, AS WELL AS FOR TIMELY LEGAL ANALYSIS.

---

- 1 A visit to the scene by counsel, if possible, will allow a valuable perspective of the investigation.
- 2 Counsel should not direct the investigation, or engage in other conduct that may result in the attorney becoming a potential witness.

---

**B DETERMINE THE ORIGIN AND CAUSE OF THE FIRE AS SOON AS POSSIBLE. PLAN AND FOLLOW UP WITH THE INVESTIGATIVE ACTIVITIES THAT ARE GOING TO BE REQUIRED TO MAKE A TIMELY DECISION. THE INSURANCE ADJUSTER, OR IF THERE IS AN SIU INVESTIGATOR, SHOULD ACTIVELY PARTICIPATE IN DEVELOPING A CLEAR UNDERSTANDING OF THE STRENGTHS AND WEAKNESSES OF ANY ORIGIN AND CAUSE DETERMINATION. THE EXPERTS SHOULD BE REQUIRED TO EXPLAIN THEIR OPINIONS AND BASES IN LAYMAN’S TERMS (AS THEY WOULD TO A JURY).**

---

- 1 Most arson cases involve circumstantial (indirect) evidence rather than direct evidence. Therefore, it is often challenging to make a decision as to whether or not to deny insurance coverage based upon the strength of circumstantial evidence.
- 2 It is important to gather all needed (available) information, exhaust the analytical process, and to make a timely decision as soon as possible to avoid exposure to bad faith damages.
- 3 It is important to remain goal-directed in the investigative approach.
- 4 Be aware of policy and statutory deadlines for making decisions concerning coverage.
- 5 If statutory deadlines are stricter than policy deadlines, they will likely control.
- 6 If policy deadlines are vague, be aware that they may be construed strictly against the insurer, as drafter of the language.

---

**C SPOILIATION OF EVIDENCE.**

---

- 1 Ensure that your experts carefully observe local and state laws concerning spoliation of evidence when removing evidence from the scene, and during subsequent storage and testing.
  - Written agreements should be obtained from all potentially interested parties whenever feasible, prior to alteration of evidence (including removal from the scene).
  - Obtain a court protective order when agreement cannot be reached.
  - Consult with legal counsel and your experts early on about this crucial issue – the credibility of your expert testimony can be weakened or destroyed by the mishandling of evidence.

---

**D IF ORIGIN AND CAUSE HAVE BEEN DETERMINED:**

---

- 1 ACCIDENTAL fire - Are there subrogation possibilities against someone responsible, such as a defective water heater or appliance, or did improper repair or installation start the fire?
- 2 INCENDIARY fire - Before making a final determination that a fire was incendiary, have all other reasonable alternative causes been investigated and eliminated and can the expert’s opinion be scientifically validated?
  - Can the probable ignition method be determined and has the evidence of incendiary origin been properly preserved?
  - Before the fire can be determined to be of incendiary origin, other potential causes or explanations for the fire must be eliminated.
  - It can be as important to identify and rule out all potential accidental causes as to document the actual cause of the loss.
  - Do not rely simply on an origin and cause fire investigator to rule out accidental causes. Additional experts, such as electrical, mechanical, lab analysis or other engineers are often necessary to withstand legal challenge.
  - Continue to fully investigate accidental causes of loss.
  - Consider which evidence must be preserved to document the ruling out or finding of an accidental loss.
  - Be continually aware of the possible exposure to a spoliation of evidence claim by “any potentially interested party,” including insurance subrogation plaintiffs.
  - The claim file should reflect an open-minded attitude toward a finding of either accidental or intentional loss (or undetermined, if applicable).

---

E BE MINDFUL OF POTENTIAL THIRD-PARTY EXPOSURE AS A RESULT OF THE INSURED'S FAILURE TO SECURE THE SCENE WITH FENCES OR GUARDS OR OTHER PROTECTION AGAINST THE ATTRACTIVE NUISANCE POSSIBILITY. THIS ALSO PROTECTS AGAINST POTENTIAL INJURY LIABILITY CLAIMS.

---

F CONSIDER IF PRELIMINARY DEMOLITION IS NECESSARY TO PREVENT FURTHER COLLAPSE, WHICH MAY CAUSE DAMAGE TO SURROUNDING PROPERTY OR INJURY TO PEOPLE.

---

G ESTABLISH CONTACT WITH KEY PEOPLE IN THE GOVERNMENTAL BODY TO DETERMINE WHAT CONCERNS THERE MAY BE ABOUT SECURING THE PREMISES. IDENTIFY POTENTIAL CLAIMANTS FOR PROPERTY DAMAGE (AND/OR PERSONAL INJURY IF THERE IS AN APPLICABLE LIABILITY POLICY), AND REGULATE YOUR DEALINGS WITH THEM ACCORDINGLY.

---

## DOCUMENTING THE CLAIM FILE

---

It is extremely important that the claim professional document the claim file with both written and photographic evidence. The file should reflect facts, not opinions, gathered during the claim investigation. Subjective opinions and inflammatory words or phrases should be avoided. Contact with others should remain professional. Personal opinions and thoughts expressed to others, such as witnesses, fire and police officials, and creditors should be avoided.

---

A DOCUMENT CONTENTS OF STRUCTURE AS TO QUANTITY, QUALITY AND CONDITION. VERIFY AGES, SERIAL NUMBERS AND BRAND NAMES ON MAJOR ITEMS THAT CAN BE IDENTIFIED (AFTER THE O&C INVESTIGATION IS COMPLETE).

---

B AT THE SCENE OF THE FIRE, IN ADDITION TO EXAMINING THE SITE FOR THE CAUSE OF THE FIRE, THE INVESTIGATOR SHOULD PAY ATTENTION TO DETAILS THAT MAY INDICATE INTENT TO DEFRAUD THE INSURANCE COMPANY. SUSPICION MAY BE AROUSED BY WHAT IS ABSENT, AS MUCH AS BY WHAT IS PRESENT.

---

C RESIDENCES – ARE THE QUALITY OF THE FURNISHINGS APPROPRIATE TO THE TYPE OF HOME, THE INCOME OF THE INSURED OR THE NEIGHBORHOOD?

---

1 For example:

- An expensive home in a nice area contains old or dilapidated furniture and appliances. The insured may have removed quality items prior to the fire and replaced them with junk or second-hand items.
- Also, items of value to an insured, whether monetary or personal, are sometimes removed prior to a planned fire.
- What is the quality and upkeep of the home?
- Is it for sale?

2 Listed below is a sample list of items that normally should be identifiable at a home fire. Some may or may not be identifiable in the event of a total burn.

**Basement:** Heating unit, air conditioner, water softener, other appliances, stored items, etc.

**Bedrooms:** Beds, springs and mattresses, dressers, nightstands, clothing, wire hangers, jewelry, etc.

**Garage:** Lawn mower, bicycles, sporting equipment, fishing poles, golf clubs, tools, etc.

**Kitchen:** Major appliances, such as a refrigerator, stove and dishwasher. Minor

appliances, such as a coffee maker, blender, toaster oven or microwave. Normal food supply in refrigerator, cabinets and pantry, pots and pans, dishes and silverware.

**Living Room:** Furniture, stereo, VCR or DVD player, cable boxes and televisions.

**Other:** Family Bible, family pictures, children's artwork, trophies, diplomas, licenses, awards, firearms, computers, printers, video recorder, musical instruments, collectibles, family pets, etc.

---

#### D BUSINESS:

---

**Identifiable items:** Depending upon the nature of the business, office equipment, including computers, fax machines, printers, normal inventory of raw material and finished products, packaging equipment, display cases, cash registers, plumbing and electrical fixtures, office furniture and business records, etc.

**Business Records:** Business records are extremely important to any enterprise, and therefore are usually kept in a fireproof safe or a metal filing cabinet. Such safes or cabinets should survive even the most severe fires. The absence of records suggests the possibility that the insured had planned the fire and is intent on committing fraud as well. In some cases, an embezzling partner or employee may have removed records and started the fire in an effort to hide the crime.

---

#### E EITHER HOME OR BUSINESS:

---

**Inventory:** Assuming the preliminary evidence points toward an incendiary caused fire and/or possible fraud, conducting a fire scene inventory may be the next step. The investigator may wish to be selective in compiling his/her inventory when available time or the degree of destruction are significant constraints, using either of the following approaches.

**Value Selective:** Document all items at the fire scene estimated to be worth more than a certain amount. Documentation should be preserved by both photographs and handwritten or dictated observations.

**Location Selective:** Document all furnishings, equipment, valuables, etc., in a specific area of the burned structure. It is suggested that the entire location be documented, to the extent possible.

- 1 In both instances:
  - The recording of serial numbers, model numbers, brand names, and other identifying characteristics is extremely important.
  - Likewise, taking photographs of items or areas inventoried will be valuable confirmation of the accuracy of the inventory.
  - Even selective inventories may be extremely important in support of a prosecution or claim denial for arson or fraud.
  - Following a suspicious residential fire, for example, a value selective inventory may demonstrate that the insured has attempted or actually perpetrated a fraud by claiming the loss of numerous expensive items which can be proven not to have been on the premises, or the insured may have claimed highly inflated values for items of proven inferior quality.
  - Such evidence should be noted, and may be extremely important in establishing motive.
- 2 Similarly, following a suspicious commercial fire, a location selective inventory may also help to establish or eliminate a motive for arson and prove or disprove fraud.
  - Supported by photographs and serial numbers, testimony that the machines in one specific area of a manufacturing plant were antiquated 10-year-old models and not highly expensive new replacements as claimed by the insured will be very incriminating.
- 3 Look for items missing that should normally be in the structure.
- 4 Compare the inventory listed by the insured with the list and photos obtained during your investigation to look for inconsistencies.

## THE CLAIM FILE

---

**A NON-WAIVER AND RESERVATION OF RIGHTS. IF AND WHEN THERE IS THE REASONABLE EXPECTATION THAT A COVERAGE ISSUE MAY ARISE, CONSIDER WHETHER IN YOUR JURISDICTION IT IS APPROPRIATE TO OBTAIN NON-WAIVER FROM THE INSURED. IF SO, OBTAIN IT IN WRITING AND/OR TAPE, AND RECONFIRM AND DOCUMENT THE NON-WAIVER WHENEVER POSSIBLE DURING THE INVESTIGATION. BE AWARE THAT A NON-WAIVER AGREEMENT DOES NOT PROVIDE AN UNLIMITED CLOAK OF SECURITY, AND THAT IT CAN BE NEGATED BY ACTS OF, OR ON BEHALF OF, THE INSURER. ALSO BE AWARE OF THE APPROPRIATE TIMING AND FORM IN YOUR JURISDICTION FOR GIVING A NOTICE OF RESERVATION OF RIGHTS TO THE INSURED.**

---

**B RECORDED STATEMENT OF INSURED.**

---

- If appropriate, obtain a preliminary tape-recorded statement from the insured. Develop a list of questions beforehand -- have a purpose for each question.
  - Listen to answers carefully when questioning. Consider taking an initial recorded statement of the insured as soon as possible.
  - Determine who should take the statement and the scope of the questions appropriate for each questioner. For example, will the origin and cause investigator be "prejudiced" by investigating the financial and/or other motive issue? Should the origin and cause investigator therefore limit his/her questioning to the ignition sequence and activities surrounding the fire?
- 

**C TOPICS TO COVER ARE NOT USUALLY AS BROAD AS EXAMINATION UNDER OATH.**

---

- Identify beforehand and cover important insurance policy issues, concerning waiver/estoppel, if any.
  - Read any non-waiver agreement in the statement if a written non-waiver agreement or reservations of rights is not already present.
  - Cover the opportunity issue in detail, and also any conversations insured has had with public officials, their broker, agent, the underwriting department, and the claims department concerning the occurrence, insurance or premises.
  - Cover financial issues generally for broad statements concerning financial condition – personally and in business (company policies, procedures and training may dictate otherwise).
- 

**D BE AWARE THAT CERTAIN STATE LAWS/STATUTES REQUIRE REPORTING OF FRAUD, OR EVEN SUSPECTED FRAUD, TO A STATE FRAUD BUREAU. IN SOME STATES THIS REPORTING MAY BE DONE THROUGH THE NICB. ALSO BE AWARE OF ANY REPORTING REQUIREMENTS TO THE STATE FIRE MARSHAL. DETAILS REGARDING REPORTING CAN BE FOUND AT [HTTP://WWW.INSURANCEFRAUD.ORG](http://www.insurancefraud.org) OR FROM THE NICB'S FIRE MARSHAL REPORTING PROGRAM.**

---

**E BEGIN DOCUMENTING THE CLAIM FILE.**

---

- 1 Facts, not hunches or suppositions, should be documented – assume that the entire file may be discoverable and read to a jury.
  - Act consistently with any claims handling procedures that may exist in your company.
  - Remember that, generally, only evidence documented in the claim file prior to denial is relevant to the defense of a bad faith claim.

- 2 Is the claim file discoverable?
  - A good possibility exists in many jurisdictions that purely factual information obtained is discoverable.
  - The strength of the work product doctrine varies from state to state, and certainly the adjuster’s notes leading up to resolution may be relevant to the bad faith issue. It is therefore recommended that the adjuster record only relevant facts and no preliminary offhand personal opinions prior to the completion of the investigation.
  - Consider the possibility that retaining counsel early on “in anticipation of litigation” may possibly protect the claim file or portions of it from discovery (varies by jurisdiction).
- 3 Correspondence with the insured. All significant communication with the insured should be confirmed in writing.
  - Consider using certified mail, personal and confidential, and/or restricted delivery, particularly any letter that confirms agreements or conversations with the insured that are vital to corroborating your claim file.
  - Confirm in writing, understandings, agreements and issues that you are not in agreement with.
- 4 Request documents from the insured.
  - Request documents from the insured in writing, making reference to the policy conditions related to cooperation and production of documents.

---

#### **F PROOF OF LOSS.**

---

- 1 Decide when to send Proof of Loss form to insured (setting in motion policy time requirements).
- 2 Send Proof of Loss form by cover letter (certified mail/return receipt), citing the “Insured’s Duties after Loss” from the policy.
- 3 Reconcile any difference in time requirement between policy and Fair Claims Practices Act or other state laws/statutes (state law/statute usually prevails).
- 4 If returned incomplete, return Proof by cover letter, citing all deficiencies and enclosing a new blank Proof form.
- 5 When in receipt of a properly completed Sworn Proof of Loss, acknowledge receipt, in writing (signed receipt), advising that the investigation is ongoing. Preserve all other rights (Reservation of Rights in jurisdictions where permissible).
- 6 As part and parcel of your demand for submission of Sworn Proof of Loss, consider requesting information and documents which would support and document the claim.

---

#### **G TAKE AN EXAMINATION UNDER OATH (EUO), IF WARRANTED.**

---

- 1 Refer to policy to determine who may be examined under oath, and if separately.
- 2 If the insured invokes the Fifth Amendment privilege during EUO questioning, there may in certain jurisdictions be a basis for denial of coverage for non-cooperation.
- 3 Be aware if you are in the jurisdictions that may allow delay in insured’s duty to submit to EUO questioning pending the resolution of concurrent criminal charges.

---

#### **H WORK CLOSELY, YET SEPARATELY, WITH THE PUBLIC INVESTIGATION IN THE SPIRIT OF COOPERATION, WHILE UTILIZING ARSON REPORTING IMMUNITY STATUTES. IT IS SUGGESTED THE O&C INVESTIGATOR NEVER INVESTIGATE THE FIRE SCENE IN THE PRESENCE OF THE POLICE OR FIRE INVESTIGATOR. BE AWARE OF WHAT MAY BE REQUIRED BY STATUTE OR LAW.**

---

- 1 Be aware of conduct that may be construed to be intentional or malicious that might abrogate protection provided under these immunity laws.
- 2 Provide notice to appropriate governmental entity of potentially fraudulent claims, as may be required by statute, which in some states can be done through the NICB.

- 3 The arson reporting immunity laws provide certain protection to insurance companies that provide information to state public authorities, under appropriate request.
- 4 Each state immunity statute is different, and must be complied with strictly to ensure protection.
  - Usually under these statutes, exposure to, for example, libel and slander actions can be avoided absent malicious or willful activity.
  - Off-color and/or conclusive comments should be avoided.
- 5 If it is found that the insurer is responsible for the unsuccessful prosecution of a criminal arson charge against the insured, there is the potential exposure to a civil malicious prosecution action by the insured against the insurer for civil punitive damages.
- 6 These actions are rare, but can be serious, thereby emphasizing the importance of maintaining and documenting separate investigations by the private and public sectors.

---

#### I IF THE ORIGIN AND CAUSE INVESTIGATION INDICATES AN INTENTIONALLY SET FIRE, RULE OUT THIRD PARTIES AS SUSPECTS CONCURRENT WITH THE INVESTIGATION OF THE INSURED.

---

- It is as important to investigate evidence that exonerates the insured, as well as evidence that implicates the insured.
- Have all associated evidence collected and preserved.

---

#### J KEEP IN MIND THE UNIQUE RESOURCES AVAILABLE TO THE PUBLIC INVESTIGATION AND THE INSURANCE COMPANY INVESTIGATION.

---

For example:

- The insurance company has the right to examine its insured under oath, in certain states, without Fifth Amendment privilege.
- There are also broad policy requirements that the insured cooperate with respect to documentation. On the other hand, the insurance company has no control over third parties to cooperate in the investigation.
- The public investigation, however, can obtain search warrants and subpoenas, obtain telephone records and cooperation by witnesses.
- The arson reporting immunity laws allow the sharing of documentation but do not necessarily in all states require the public entity to provide information to the insurer, if it determines that this act might adversely affect its investigation. "Off the record" information, if not documented in the claim file, may not protect against bad faith allegations.

---

#### K UNDERSTAND THE CIRCUMSTANTIAL ELEMENTS OF PROOF WHEN DECIDING WHETHER TO DENY COVERAGE.

---

- 1 Incendiary fire:
  - Do you and your experts feel comfortable with the basis of the opinions as well as the opinions themselves?
  - Anticipate cross-examination by developing "devil's advocate" analysis.
- 2 Opportunity:
  - Circumstantial evidence is often crucial to tie the insured to the fire. Consider evidence of direct and indirect evidence of opportunity by the insured. Investigate opportunity of others to set the fire.
  - Probe alibis given by the insured and others, and corroborate and compare for accuracy and consistency. Compare information given by the insured to investigators, officials and insurance representatives during the investigation of a loss, including: first responders, public fire investigators, insurance agent, adjuster, insurance O&C investigator, law enforcement, private investigators, SIU, attorney during EUO, depositions and trial testimony.

3 Motive:

- Crucial to the circumstantial arson defense.
- Initial statement of insured need not go into a lot of detail about financial condition of the insured, but should cover the insured's rendition of their personal and corporate financial status in general terms. The adjuster should be aware of company procedures or guidelines.
- Subsequent document requests to the insured and examination under oath can thoroughly investigate financial or other motive, if appropriate.
- Also, look to financial or other motive of other interested parties.

---

**L THE BURDEN OF PROOF IS ON THE INSURER TO ESTABLISH THE ARSON DEFENSE.**

---

- The standard of proof in a civil action is not as stringent as in a criminal action.
- While in a criminal case, "beyond a reasonable doubt" standard is used, typically the civil standard is by a "preponderance of the evidence" or "clear and convincing evidence."
- Practically speaking, however, the insurance company may or may not benefit significantly from a lesser standard of proof, depending upon the make-up of the jury.

---

**M HAS THE INSURED MISREPRESENTED AND/OR CONCEALED MATERIAL FACTS? FOR EXAMPLE:**

---

- Financial, alibi, contents?
- Raise "Concealment or Fraud" defense, if applicable.

---

**N HAS THE INSURED COMPLIED WITH ALL POLICY PROVISIONS, OR HAS THE INSURED BREACHED ANY DUTIES AFTER LOSS?**

---

- Raise a breach of insured's duties defense, if applicable.

---

**O METHOD OF DENIAL IF THE EVIDENCE ESTABLISHES THAT THE INSURED COMMITTED ARSON AND/OR MADE MATERIAL MISREPRESENTATION(S). IT IS RECOMMENDED THAT LEGAL CONSULTATION BE CONSIDERED, PRIOR TO RECOMMENDATION OF CLAIM DENIAL.**

---

- 1 Consider whether all possible investigation (timely) has been completed and all possible bases for denial have been documented, so not to potentially waive policy defenses.
- 2 Identify any innocent co-insured(s) if applicable in your jurisdiction, or other third-party claimants or lien holders who may have a claim on policy proceeds.
  - Document the real value of the insured's claim and who must be paid regardless of the denial as to the insured.
- 3 State all possible reasons and policy defenses for denial and reserve rights under other defenses that a further investigation might disclose.
  - Be aware of the state Fair Claims Practices Acts concerning correspondence and denials of coverage.

---

**P THE DENIAL LETTER SHOULD BE SENT VIA CERTIFIED MAIL, PERSONAL AND CONFIDENTIAL, RESTRICTED DELIVERY, AND SHOULD CITE VERBATIM THE POLICY CONDITIONS THAT ARE THE BASIS OF DENIAL, AND BE AS FACT-BASED AS POSSIBLE. IT IS RECOMMENDED THAT LEGAL CONSULTATION BE CONSIDERED FOR REVIEW OF THE DENIAL LETTER, PRIOR TO SENDING.**

---

- Evaluate potential exposure to a libel action before copying any third party (for example: insured's attorney, mortgage company, underwriting department or the insurance company sales agent) to the denial letter.
- If the denial is based on policy conditions that void the policy contract, the avoidance should be coordinated with the underwriting department.
- When making payment to innocent co-insured(s), mortgagees, etc., protect the right of recovery against the policyholder.
- Be aware of any law or ordinance that may require the local government to verify that taxes and demolition charges have been paid before payment of any portion of the claim.

---

**Q BE AWARE OF REQUIREMENTS TO REPORT PROPERTY INSURANCE LOSSES TO THE INSURANCE SERVICES OFFICE (ISO) USING THE APPROPRIATE FORM/METHOD.**

---

---

**R CONSIDER UTILIZING ANY STATUTORY OR OTHER BASIS FOR AN ACTION AGAINST THE INSURED FOR REVERSE BAD FAITH. FOR EXAMPLE:**

---

- The Illinois Insurance Fraud Statute allows double the amount of the claim if no payment has yet been made to insured, and triple damages if payment has been made, plus attorneys' fees.
- Decide the most advantageous forum to initiate the action, i.e., federal court vs. state court.

---

**S CONSIDER THE USE OF DECLARATORY JUDGMENT AND/OR INSURANCE FRAUD ACTION VS. INSURED.**

---

---

**T REFER THE QUESTIONABLE CLAIM (IF APPROPRIATE) TO THE NICB.**

---



---

## CONCLUSION

---

The investigation of possible insurance fraud following a suspicious fire is part of the investigation of arson. Typically, the fraud case or the motive and intent aspects of an arson case may depend on only one of the following:

- Proving that alleged construction or renovations used to justify a substantial coverage increase were never initiated and/or expensive, unused building materials were removed just prior to the loss though later claimed destroyed in the fire.
- Proving there were few or no tenants in an apartment building when a landlord has claimed that there were many tenants paying substantial monthly rent at the time of the fire.
- Proving that video equipment, stereo equipment, tools, sporting goods, musical instruments, jewelry, furs, and other items usually found in a home were not present at a residential fire scene. Possibly they were removed beforehand though the insured reports they were destroyed in the fire.
- Proving equipment or inventory that was reportedly recently purchased and claimed destroyed in a fire was actually shipped by the supplier to an alternate location, had not yet been delivered, or was ordered and paid for but then cancelled and credited.
- Proving that the insured is making claims for items previously declared stolen or destroyed in a fire or burglary claim made against another insurance carrier.

The investigator will often be able to isolate one of the above or other avenues as the most promising investigative route soon after his/her preliminary investigation of a fire and initial interviews with insureds, other principals, neighbors, witnesses and insurance personnel.

---

*Part III*

# APPENDICES

*ISO ClaimSearch*

A DATABASE OF MORE THAN

830 MILLION

PROPERTY AND CASUALTY CLAIMS



The Insurance Services Office, Inc. (ISO) maintains ISO ClaimSearch, a database of more than 830 million property and casualty claims. ISO ClaimSearch is provided on a participant basis to all property/casualty insurers, self insureds and third party administrators to assist in the adjustment of claims.

One segment of ISO ClaimSearch is the former Property Insurance Loss Register (PILR), now known as ISO ClaimSearch-Property. This segment of the ISO ClaimSearch database includes reports on property loss claims resulting from all perils, including, but not limited to, fire, theft, wind and water. Included in the claim reports are fields of information covering: the insured, the risk address, the loss location, the policy and coverage limits, an estimate of loss, and parties to the loss.

All claims submitted by participating companies are searched against claims in the database, and match reports are returned to the submitting office or user. The system's match reports provide information on matching claims found in the system, and may identify duplicate claims (claims submitted to multiple insurers) that may involve undisclosed duplicate insurance. The match reports can reveal loss histories of the insured, the insured risk, the loss location and specific involved parties. The reports can also reveal suspicious patterns of loss that may indicate fraud.

ClaimSearch provides one of the most effective routes for determining a repeated pattern of claims activity on the part of individuals and organized rings. More than 94 percent of the property/casualty insurance industry (by premium volume) participates in ISO ClaimSearch. These companies submit more than two million property claims per year.

ClaimSearch provides numerous electronic reporting options, including reporting via the Internet, and returns matching claims information nearly instantaneously. Match reports, or "hits," from the ISO ClaimSearch system can vary by degrees of significance, as illustrated by the following examples:

**PROBABLY INSIGNIFICANT:** A landlord or mortgagee experienced a minor fire at another location 12 months prior to the immediate loss.

**INCONCLUSIVE:** A homeowner experienced one loss, a \$4,000 burglary, 18 months prior to the immediate fire loss.

**SUSPICIOUS:** A business owner presented two expensive burglary claims against two other insurers during the 12 months preceding a suspicious fire loss currently under investigation. NOTE: Is the insured having a streak of "bad luck?" Why are there numerous insurers over a short period of time?

The ISO ClaimSearch system provides a match report or response to an incoming claim in all cases when reports are submitted through the Internet platform or through the new Universal Format method for system-to-system communications. "Legacy" format reports or reports submitted on paper will receive notice from ISO ClaimSearch only when there is a "hit" (or matching claim) in the system. When a claim file does not contain an ISO ClaimSearch match report or response, it may indicate that no matches were found or that no entry or report to ISO ClaimSearch was made.

When reviewing the claim file, the investigator should confirm that an ISO ClaimSearch report has been submitted in all cases. The investigator or claim handler should also resubmit or "update" a submission to ISO on any claim when additional fields of information are obtained. In instances when no ISO ClaimSearch reports were submitted or when the names of some of the possible suspects with an insurable interest were not included, the NICB may ask the insurer to submit a questionable claim to the NICB's "Questionable Claims" database with all the pertinent information included.

If previous burglary or theft losses are found in ISO ClaimSearch, the report may show that furnishings, inventory or equipment were previously reported lost or stolen. Likewise, the ISO ClaimSearch records can be a means of constructing the big picture of an arson-for-profit conspiracy. By running the names of every possible suspect in one suspicious fire through the ISO ClaimSearch claim inquiry process, more interrelated claims may be uncovered and used to develop evidence against the entire group / ring. Existing arson statutes may provide the ability to access claim files from involved insurers for the review of previous losses. In instances where such laws do not apply or where suspicious prior burglary claims are not covered by the laws, the NICB may be able to secure copies of the previous claims when it is a party to the investigation.

# DEFINITIONS



*Note: Precise legal definitions vary among jurisdictions*

**ARSON** – 1. The crime of willingly setting fire to buildings or other property. 2. The crime of knowingly setting fire to real property or personal property of another having a value in excess of a certain amount or of burning one’s own property for some improper purpose, as to collect insurance. 3. The crime of maliciously and intentionally or recklessly starting a fire or causing an explosion.

**ARSON TRIANGLE** – The three fundamental elements of a fire investigation into possible arson are:

1. **INCENDIARY CAUSE** - Incendiary cause is determined by conducting a thorough and systematic scene investigation. This includes the identification of a competent ignition source, first fuel ignited and how they came together, as well as the elimination of all reasonable accidental causes. Incendiary cause can also be inferred through the elimination of all other reasonable causes and determination of probable ignition methods. This is what is referred to as a “negative corpus investigation”. However, it is not a practice that is recommended as the best methodology in conducting an origin and cause investigation.
2. **MOTIVE** is usually determined by answering the question of who would profit most by the fire or could the fire have been started by someone who had a motive other than the insured, such as for revenge, spite, vandalism or concealment of another crime. Motive is frequently shown by circumstantial evidence (see the appropriate section for possible motives for arson).
3. **OPPORTUNITY** must also be present. Could the fire have been set by, or under, the direction of the owner/insured? Every aspect of the owner/insured’s alibi must be checked out.

Each of the three elements of the Arson Triangle must be proven to substantiate arson. One cannot assume the fire was incendiary merely because motive and opportunity are present.

**CFEI** – Certified Fire and Explosion Investigator

**CFI** – Certified Fire Investigator

**CVFI** – Certified Vehicle Fire Investigator

**EUO** – Examination Under Oath

**FIRE** – Rapid, self-sustaining oxidation(s) process with the evolution of heat and light in varying intensities.

There are four classifications of fires (ordinary combustibles or material that produce ash, glowing embers or coals):

- CLASS (A) - Wood, cloth, rubber and similar materials
- CLASS (B) - Flammable or combustible liquids
- CLASS (C) - Electrically energized equipment  
(if no longer energized reverts to Class A or B)
- CLASS (D) - Clean combustible metals

There are four categories of fires:

1. ACCIDENTAL
2. NATURAL
3. UNDETERMINED
4. INCENDIARY

**FIRE TRIANGLE/TETRAHEDRON** – (combustion reaction characterized by four components):

1. FUEL
2. OXIDIZING AGENT
3. HEAT
4. UNINHIBITED CHEMICAL REACTION

Remove one component and a fire can be prevented or suppressed.

**HEAT SOURCES** – Heat sources are listed in four categories:

1. CHEMICAL HEAT ENERGY
2. ELECTRICAL HEAT ENERGY
3. MECHANICAL HEAT ENERGY
4. NUCLEAR



**HEAT TRANSFER** – Heat is transferred in three ways:

1. **CONDUCTION** – The transfer of heat by direct contact of one body to another.
2. **CONVECTION** – The transfer of heat by a circulating medium, such as a gas or liquid.
3. **RADIATION** – Heat transfer by way of electromagnetic energy. Simply put, this means that heat is being transferred from one area to another without direct contact with the area and without any circulating hot gasses to help bathe the area in heat. It is heat in the form of energy which travels as waves through space.

**O&C** – Origin and Cause

**OXYGEN AND ITS RELATIONSHIP TO FIRE** – Air contains approximately 21 percent oxygen. Flaming combustion usually ends when the availability of oxygen is less than 16 percent.

#### **PEOPLE INVOLVED - OTHER PARTIES TO THE LOSS –**

**INDEPENDENT ADJUSTERS:** Outside adjusting specialist contracted by an insurance company because: 1) the company does not maintain an in-house staff, 2) the work load is such that an additional adjuster is temporarily necessary, or 3) specific expertise is required. He/she may appraise and investigate the loss in addition to negotiating settlement, or may hire outside appraisers and/or origin and cause specialists.

**INSURANCE CLAIM PERSONNEL:** These people are typically employees of the insurance company. They may be claim adjusters or special investigation unit personnel. They may investigate, negotiate and/or settle any or all portions of the insurance claim.

**ORIGIN AND CAUSE (O&C) INVESTIGATOR:** Is hired by the insurer to investigate a fire loss. Many work for insurance companies. In many instances, an origin and cause investigator may also be a private investigator (PI). Many states (check statutes for licensing requirements) require a PI license for O&C work.

**PRIVATE INVESTIGATOR:** A private vendor who may investigate the cause of the fire and/or conduct an investigation into other aspects of the fire and the loss.

**PUBLIC ADJUSTERS:** An adjuster who works on behalf of the insured, often for a percentage portion of the settlement.

**SIU** – Special Investigation Unit

**SPOILIATION OF EVIDENCE** – Loss, destruction or material alteration of an object or document that is evidence or potential evidence in a legal proceeding by one who has the responsibility for its preservation. (Source: NFPA 921, 2004 Edition)

**SWORN PROOF OF LOSS** – Sometimes called Proof, Proof of Loss or Sworn Statement in Proof of Loss.

# FIRE CLAIM INVESTIGATION STRATEGY

---

## REVIEW THE FILE:

- Assign outside origin and cause expert.
- Get basic information about insured.
- Get what is known about the fire.
- Agree on initial scope of investigation.
- Insurance Services Office (ISO) databases.
- NICB Questionable Claims database (within ISO).

## INTERVIEW WITH INSURED:

- Insured's whereabouts at time of fire.
- Other occupants' whereabouts at time of fire.
- Security of building, who has keys?
- Smoke and intrusion alarms, did they work?
- Physical condition of the building at time of fire.
- Contents of building at time of fire.
- Any recent repair work or mechanical installations?
- Was the building for sale?
- Any mortgages or liens on the building?
- Is the building involved in any lawsuits or foreclosure actions?
- Are any unusually flammable or hazardous materials stored in the building?
- Who was last in the building and when?
- Anything out of the ordinary in the building in the days immediately before the fire?
- Any unusual odors, lights, electrical/mechanical problems, unusually hot or cold?
- Ask the insured what they think caused the fire and why.

## GENERAL INVESTIGATION:

- Visit the loss site so you know the layout of the building and surrounding area.
- Meet with the local fire officials and cover the following:
  - Who reported the fire?
  - Condition of the building on arrival: occupied, vacant, etc.
  - Progress of the fire on arrival.
  - Security of the building on arrival.
  - Any previous runs to this address?
  - Any previous fires with the insured?
  - Their opinion of the fire cause and why.
- Check court records: deed, mortgage, liens, lawsuits, etc.
- Talk to the neighbors.
- Try to locate and interview the person who reported the fire.
- Interview the last person in the building.

## IF THE FIRE WAS ARSON?

- Determine who profits by the fire and why.
- Determine who had motive and opportunity to set the fire.

## IF THE FIRE WAS ACCIDENTAL?

- Consider the possibility of subrogation.
- Were there any problems with the electrical/mechanical systems in the building?
- Was there any failure of fire warning or extinguishment systems?
- Was there any recent repair or construction work in the building?
- Did the fire spread from somewhere else?
- Did someone increase the hazard in the area and cause the fire?

# CONSIDER

GUIDELINES, TIPS AND TOPICS

# THIS



# PERSONAL LINES FIRES

---

## ITEMS TO CONSIDER WHEN INVESTIGATING A PERSONAL LINES FIRE:

---

- Review claim file, including loss report and conference file, with adjuster.
  - What has been reported? Determine the circumstances surrounding the loss.
  - Has insured or other key individuals been interviewed (recorded statements)?
  - Has an origin and cause investigation been requested/completed?
  - Results of origin and cause (incendiary/intentionally set).
  - What are the findings of law enforcement/fire officials?
  - Review reports from law enforcement/fire officials concerning the loss.
  - Any arrests or suspects?
  - Status of the property at the time of the loss (occupied/unoccupied).
  - Review policy file.
  - Type of policy.
  - Age of policy.
  - Any recent changes in coverage.
  - Prior claim history.
  - Other policy information.
  - Investigation.
  - Scene examination -- conducted with origin and cause expert if possible.
  - Photographs/sketches.
  - Interview of insured/others.
  - Obtain signed authorization & consent.
  - Recorded statement.
  - Request records.
  - Burglar alarm records.
  - Bank records.
  - Utility records.
  - Telephone records.
  - Cellular telephone records.
  - Pager records.
  - Real estate records.
  - Income tax records.
  - Status and condition of equipment or personal property.
  - Status of keys and alarm system (who has keys and alarm code).
  - Status of the alarm at the time of the fire.
  - Neighborhood canvass.
  - Firefighter/law enforcement interviews.
  - Coordinate investigative efforts with law enforcement/fire officials.
  - Condition of area (depressed, etc.).
  - Storage of flammable liquids on property or at area of origin.
  - Signs of forced entry.
  - Theft/vandalism.
  - Begin to document investigative efforts in FAS.
  - Background investigation.
  - Credit report.
  - Civil records.
  - Criminal records.
  - Bankruptcy records.
  - Mortgage records.
  - Insurance Services Office (ISO) databases.
  - NICB Questionable Claims database (within ISO).
  - Verify property ownership (title search).
  - Interview of agent -- any contact before the loss?
  - Contents inventory.
  - Proof of Loss.
  - Use of forensic accountant.
  - EUO.
-

# COMMERCIAL LINES FIRES

---

## ITEMS TO CONSIDER WHEN INVESTIGATING A COMMERCIAL FIRE:

---

- Review claim file, including loss report and conference file, with adjuster.
- What has been reported? Determine the circumstances surrounding the loss.
- Has insured or other key individuals been interviewed (recorded statements).
- Has an origin and cause investigation been requested/completed?
- Results of origin and cause (incendiary/intentionally set).
- What are the findings of law enforcement/fire officials?
- Review reports from law enforcement/fire officials concerning the loss.
- Any arrests or suspects?
- Status of the property at the time of the loss (occupied/unoccupied).
- Review policy file.
- Type of policy
- Age of policy.
- Any recent changes in coverage.
- Prior claim history.
- Other policy information.
- Investigation.
- Scene examination -- conducted with origin and cause expert if possible.
- Photographs/sketches.
- Interview of insured/others.
- Obtain signed authorization & consent.
- Recorded statement.
- Request records.
- Burglar alarm records.
- Bank records.
- Utility records.
- Telephone records.
- Cellular telephone records.
- Pager records.
- Real estate records.
- Income/sales tax records.
- Status and condition of equipment or personal property.
- Status of keys and alarm system (who has keys and alarm code).
- Status of the alarm at the time of the fire.
- Neighborhood canvass.
- Firefighter/law enforcement interviews.
- Coordinate investigative efforts with law enforcement/fire officials.
- Condition of area (depressed, etc.).
- Storage of flammable liquids on property or at area of origin.
- Signs of forced entry.
- Theft/vandalism.
- Begin to document investigative efforts in FAS.
- Background investigation.
- Credit report.
- Civil records.
- Criminal records.
- Bankruptcy records.
- UCC filings.
- Mortgage records.
- Insurance Services Office (ISO) databases.
- NICB Questionable Claims database (within ISO).
- Verify property ownership (title search).
- Verify incorporation status.
- Interview of agent – any contact before the loss?
- Contents inventory.
- Proof of Loss.
- Use of forensic accountant.
- EUO.



## INDICATORS OF A QUESTIONABLE FIRE

---

- Absence of family pet at time of fire.
- Absence of family photographs, heirlooms or items of sentimental value.
- 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.
- Burned building is in deteriorating condition and/or located in a deteriorating neighborhood.
- Business or insured is experiencing financial difficulties (e.g. bankruptcy, foreclosure).
- Commercial losses include old or non-saleable inventory or chemicals/materials they are not licensed to possess.
- Delinquent on mortgage payments.
- Documents that appear altered are provided.
- Fire occurs at night, especially after 11 p.m.
- Fire scene investigation reveals absence of remains of expensive items used to justify an increase over normal 50% contents coverage (e.g. antiques, piano, or expensive stereo/video equipment).
- Fire scene investigation suggests that property/contents were heavily over-insured.
- Fire site is claimed by multiple mortgages or chattel mortgages. \*\*
- Lease amount negotiated is much higher than the fair rental value of the temporary rental property.

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

*In addition to these indicators, please also see the Indicators of Vehicle Theft/Fraud and Indicators of Vehicle PD Fraud.*

---

# FIRE CLAIM INVESTIGATION STATEMENT GUIDE

---

This is \_\_\_\_\_ and I am speaking to \_\_\_\_\_.

We are at \_\_\_\_\_, discussing an incident that occurred  
on \_\_\_\_\_ in \_\_\_\_\_.

Today's date is \_\_\_\_\_. The time is \_\_\_\_\_.

Also present at this interview is \_\_\_\_\_ (if applicable).

\*\*This is not an examination under oath and should not be construed as one. We reserve the right to take an examination under oath at a later date, if necessary. Do you realize I am recording this interview? Do I have your permission to record this interview?

## PERSONAL INFORMATION:

- Full name (any AKA's or nicknames). Have you ever gone by any other names?
- Current address (how long), (previous addresses).
- Telephone number (home, business, pager, cell phone).
- Date of birth.
- Social Security Number.
- Marital status (spouse's full name).
- Occupation/employer (how long).

## BUSINESS:

- Complete name of business (d/b/a).
- What type of business was involved in the fire?
- What type of product/services do you provide?
- How long have you been in business?
- How long have you been at this location?
- What was your previous location?
- Why did you move?
- List of all officers of the corporation.
- Any stockholders? Who?
- Any affiliations with other companies? If so, what are their names?
- How many employees were employed at the business at the time of the fire?  
(Obtain detailed listing if necessary.)
- Any employees terminated/fired/laid off within the last six months?
- Do you own the building or lease it?
- If owned, mortgage information; current balance of loan  
(name of financial institution loan is with).
- When purchased and purchase price.
- Any second mortgage?
- Balance of the loan and name of the financial institution?
- Were you current with your mortgage payments at the time of the fire?
- If leased, landlord information, leasing terms (long term, etc.), amount.
- Were you current with your rent at the time of the fire?
- Do you use any other location for storage other than the business site?
- Do you own any other businesses? (obtain details)
- What was the financial condition of the business at the time of the fire?
- Was the financial condition of the business improving at the time of the fire?
- What were the average monthly sales, expenses, net income?
- Were there seasonal fluctuations in your business?
- Were you paying all your bills, such as utility and suppliers, in a timely manner?  
(If not, obtain details.)
- Did you draw any type of salary from the business? (obtain details)
- Did you have any other sources of income? (obtain details)
- Do any of your customers owe you a significant amount of money?
- Do you have a business checking account(s)? (obtain account number, activity, etc.)
- Do you have any other accounts? Savings? Brokerage? Certificates of deposit?
- Are all business deposits and disbursements made to these accounts?

- 
- Do you ever commingle any of your personal funds with the business accounts?
  - Have you ever loaned any of your personal funds to your business?  
(If so, provide amounts and dates.)
  - Do you have an accountant? (obtain name, address and telephone numbers)

#### BUILDING:

- Approximate age of the building.
- Sprinkler system?
- Alarm system (location and type). Name and phone number of alarm company.
- Did you have opening and closing reports with your system?
- Who knew the codes?
- Security guards?
- Security doors?
- Business hours?
- Who has keys to the building?
- For what building locks did they have keys?
- How many keys are there for the building?
- How many keys for each lock?
- Have any of the locks been damaged recently?
- Description of each lock.
- Have you made any recent repairs or renovations on this property?
- Were such repairs made by an outside contractor?
- Was repair or renovation work being done at the time of the fire?
- Were the business and/or building for sale at any time within the last five years?
- If you were to sell the business, what would be the estimated selling price?
- Has the building been condemned or have notices requiring correction been received from the city building department? Any code violations?

#### FIRE:

- Date and time of fire.
- Where did the fire start?
- How did the fire start?
- Was there anyone in the building when the fire started?
- Who discovered the fire?
- Who was the last person in the building prior to the fire?
- When did the last person leave the building?
- Was the building secured when the last person left the building?
- Details of activity before the last person left the building.
- Contents moved into or out of the building?
- Any neighborhood problems (vandalism, gang activity, thefts, etc.)?
- How were you notified about the fire?
- When were you notified about the fire?
- Where were you when you were notified about the fire?
- Where were you when the fire started?

#### ELECTRICAL SYSTEMS:

- New appliances or equipment?
- New wiring or repairs?
- Any outlets or switches that were not operating?
- Any problems with wiring, appliances or equipment?
- Any problems with circuit breakers or fuses?
- Any fixtures plugged in but not working?

#### GAS HEATING SYSTEM:

- Natural gas or propane?
- New appliances?
- Any problems or odors?
- Any recent repairs or service? (If yes, who, what, when, where.)

# GENERAL ATF ARSON INVESTIGATION GUIDE/TIPS FOR LAW ENFORCEMENT

## *Initial Procedures at the Scene*

### SECURE THE SCENE: (ARE YOU THERE LEGALLY?)

- Rope off with officer(s) posted.
- Limit number of people inside scene.
- Is investigation close in time to suppression of fire?
- Do you have consent to search?
- Do you need a search warrant?
- Date/time.
- Check for possible secondary devices.
- Identify location.
- Obtain/secure evidence.
- Check for evidence of possible explosion/fire.
- General search of the area.
- Check of automobile license plates (stationary and moving).



### CONDUCT INTERVIEWS WITH:

- First firefighter.
- Patrol officer.
- Owner.
- Occupants.
- Discoverer of fire.
- Witness(es).

### INVESTIGATIVE PROCEDURES: (MOTIVE/MEANS/OPPORTUNITY)

- Identify caller from fire/police tape or interviews.
- Aerial photos/diagram of scene.
- Background checks: owner/occupant/victim/caller.
- Record checks of the property involved: title search/assessor's record/tax records, etc.
- Weather conditions.
- Previous police activity and vandalism in area.
- Police/fire reports.
- Admission of constitutional rights (if needed).
- Laboratory reports.
- Check area hospitals.
- Check area gas stations (if needed).
- Financial information: bank/personal/business records/credit check (obtain consents).
- Check newspaper/TV photos and articles.
- Request all insurance information: policies, amounts, proof of loss, taped interviews, etc.
- Check previous claims.
- Interview person who received report of loss (agent/secretary).
- Attempt to establish motive: fraud/arson for profit, arson to hide other crime, revenge, jealousy, thrill, pyromania, juvenile, sexual, riots, vandalism, terrorism.

### OUTSIDE EXPERTS TO CONSIDER WHEN WARRANTED:

- Origin and cause specialist: From law enforcement or private arson investigator.
- Legal counsel.
- Professional photographer.
- Chemists.
- Electrical engineer.
- Heating and air conditioning engineer.
- General contractor.
- Accountants.
- Salvors.

# FIRE SCENE INTERVIEWING TIPS

---

## FIRST FIREFIGHTERS AT THE SCENE:

- Who reported the fire?
- How was the fire reported?
- When was the fire reported?
- Where was the fire reported from?
- To whom was the fire reported?
- What time was the first alarm received?
- How was the alarm received?
- Who discovered the fire?
- When was the fire discovered?
- Identify the first firefighters or units at the scene.
- Did the firefighters encounter any suspicious activity enroute to/or at the scene?
- How much time elapsed from the discovery of the fire to the time of the alarm and arrival?
- Ascertain accessibility to the scene.
- What was the extent of the fire (intensity)?
- What was the location of the fire?
- Did anyone meet the firefighters upon arrival?
- Any familiar spectators at the scene?
- What was the color of smoke or flame?
- Was anything unusual considering the fire load?
- Where were the smoke and fire coming from?
- What was the rapidity and spread of the fire?
- How was entry gained into structure?
- What was condition of doors and windows?
- If entry was forced -- how and by whom?
- Was the fire centered?
- Were there separate fires?
- Were there any unusual odors?
- Where were the odors coming from?
- When were odors noticed?
- Was the fire unusually difficult to extinguish?
- Did the fire flash when water was introduced?
- Were there any obstructions to firefighting operations?
- Was the alarm system (if applicable) functioning properly?
- Was the sprinkler system (if applicable) functioning properly?
- Did any witnesses make statements to firefighters?
- Was the owner at the scene?
- Was the owner available when contacted?
- What was the owner's attitude?
- What was the owner's opinion as to cause?
- What are the names of the people allowed into the scene?
- Was any physical evidence taken from scene?
- Were any photos taken of fire in progress?
- Were any holes in walls or ceilings?
- What is the firefighter's opinion as to how the fire started?
- Name, address, day/night phone, date of birth (of firefighter).

## PERSON DISCOVERING THE FIRE:

- What time was the fire discovered?
- What was seen, heard, smelled?
- What was color of smoke/flames?
- Was there an explosion heard?
- If so, did it sound like thunder or the crack of a whip?
- What made you notice the fire?
- Was the building secure upon discovery of fire?
- Were there other persons at the scene?
- Were there vehicles leaving the scene?
- What were the weather conditions?
- Name, address, day/night phone, date of birth.

---

### WITNESSES/NEIGHBORS:

- What time did you notice the fire?
- Where was the fire first located?
- What was the rapidity and spread of fire?
- What did you see/hear/smell?
- Did you hear an explosion?
- What was the color of the smoke/flame?
- Was there any activity around the scene before/after the fire?
- Did you see anyone leaving before/during/after the fire?
- Were the owners/occupants at the scene?
- Did any vehicles leave the scene?
- Do you know of any previous residences or other properties owned (by the owners)?
- What is the owner's marital status?
- What is the employment of owner/occupant/insured?
- Do you know of any financial problems of the owners/occupants/insured?
- Have you noticed any unusual activity today, yesterday or last few days?
- What is your opinion as to how the fire started?
- Have there been prior fires or vandalism in the neighborhood?
- Name, address, day/night phone, date of birth.

### OWNER/OCCUPANT:

#### (ENSURE YOU OBTAIN NECESSARY "CONSENTS")

- Date and time of fire?
- Who discovered the fire?
- How were you notified of the fire?
- Who notified you?
- When were you notified?
- Where were you at when you were notified?
- Alibi?
- Who was the last person in the building?
- Who has keys to the building?
- Was there any unusual activity before the fire?
- Was the building/property for sale?
- Were there any neighborhood/zoning problems?
- What type of business (if applicable) is it?
- Who are employees?
- Who is the accountant?
- What are your banks?
- Who are the customers/suppliers?
- Describe business records.
- What is the location of the business records?
- Are you owner or tenant? For how long?
- What kind of leases are you involved in?
- Who is your insurance agent?
- What kind of policies do you have?
- What is your policy number?
- What is the amount of coverage?
- Have there been any changes in the amount of coverage?
- Have there been any previous losses?
- Describe the contents of buildings/store/apartment.
- What was the location of flammables, utilities, etc.?
- What is the age of the building?
- Were there sprinklers/alarms?
- What is the floor plan?
- What are the fire hazards/flammable liquid storage?
- Describe the utilities.
- Describe the appliances.
- Have there been any alterations to the building?



---

**INSURANCE INFORMATION:  
(ENSURE YOU OBTAIN NECESSARY “CONSENTS”)**

*General:*

- Insurance policy.
- Application for policy.
- Interoffice memos and/or correspondence.
- Proof of Loss.
- Statement Under Oath by insured.
- Letter of Declination (denial of claim).
- Appraisal of survey of property.
- Payment history of premium by insured.
- Copies of checks used to pay premium.
- All previous claims history.
- Public/private adjuster investigative file.
- Information from attorney retained by insurance company.
- What is insured’s interest in the property?
- When and from whom acquired?
- Price, down payment, amount of taxes?
- Mortgage, amount, held by whom, payments, are they current?
- Any previous properties owned by insured?
- What is insured’s marital status?
- Any recent separations/quarrels?
- Any previous marriages, alimony, child support?
- What is employment of spouse?
- What are insured’s financial obligations?
- What are insured’s debts, amounts and creditors?
- Are there any judgments, liens, lawsuits pending?
- Has insured had any previous fires/claims? What are the date and location?
- What was the insurance company and policy number?
- What were the amounts claimed and received?
- Is there any other insurance on this property?
- What are the current and previous policies?
- When was insured last on the premises?
- Has the insured been involved in any unusual activities? When, who with, and what was done?
- Establish alibi(s). Who was insured with and where and when, detail activities?
- How did insured learn of fire? From whom and at what time?
- What was the insured told?
- What did the insured do upon learning of fire?
- Were any contents removed or added before the fire?
- Who has access to the building(s)?
- Who has or maintains keys?
- Do all persons having keys before the fire still have them?
- Were the locks or doors/windows changed recently?
- Do you know what caused the fire?
- Have there been any recent malfunctions to the furnace, water heater, stove, electrical system?
- If so, who made the repairs and when?
- Does insured have any enemies?
- Does anyone have any motive to set the fire?
- Has there been a history of vandalism?
- Would neighbors, competitors, current/former employees, or customers set fire?
- Were any flammable liquids in the building?
- If so, what was the type, amount and where stored?
- Have there been any accidental spills of flammable liquid?
- Has there been any change in the insured’s normal routine?
- What is the insured’s opinion as to the cause of the fire?
- Collect all identifying information of insured.
- Name, address, day/night phone, date of birth.



---

### *Claims adjuster:*

- Any statements from insured?
- Any documents provided by insured concerning proof of loss?
- Is there any information concerning invoices, bills, value of contents, value of building?
- Did the claims adjuster inspect the fire scene?
- Do you and the adjuster agree on the amount of loss?
- Have you dealt with this adjuster before?
- Has this adjuster represented the owner before?
- Has the insured had any other losses with this company?
- Who determined the cause of the fire?
- Who collected and analyzed the evidence?
- Was there an examination of the property prior to issuing the insurance policy?
- Have there been prior fires at this location?
- Have there been prior fires with the same public adjuster?
- Have there been prior fires with the same agent/broker?
- Does this fire seem similar to other fires in this area?
- Have there been any statements taken in connection with this fire?

### *Insurance agent/broker:*

- Who is insured?
- Is there more than one party insured?
- Is the insured party also the beneficiary?
- What kind of insurance was written?
- What was the amount of the insurance policy?
- When was the policy written and when does it expire?
- How did the agent acquire the business?
- Is the current policy a renewal or new?
- How were the policy limits established?
- Have there been any recent changes to the policy?
- Have there been any decreases or increases in limits?
- What is the premium amount?
- Are payments lump sum or installment?
- Are the payments current or paid regularly?
- Did the agent know the insured before writing the policy?  
If so, for how long, how well?
- What was/is the insured's background?
- Is the agent familiar with the property insured (risk)?
- Does the agent have a photo?
- Did the agent make a physical inspection of the property?
- What other insurance is the agent carrying for the insured?
- Is the agent aware of any additional insurance the insured may have on the property?
- Does the agent know of any previous losses? Did the insured show any special interest in the coverage prior to the fire?
- Has the agent been in contact with the insured since the fire?

### *Accountant and/or bookkeeper:*

- Are you a public accountant or CPA?
- What is your training?
- How long have you been practicing accounting/bookkeeping?
- How long have you had the insured as a client?
- How did you get the insured as a client?
- What is the fee for your services?
- How would you describe your client's financial condition?
- Was the company operating at a profit or a loss?
- What was the business' net worth?
- Was the business solvent?
- Describe the work you do for your client.
- Who do you deal with when doing your financial work?

- Describe your client's books and records.
- Do you audit the insured's financial records?
- Can you identify the insured's banks, insurance companies, suppliers, creditors, etc.?
- Do you have federal/state tax returns on the insured?
- Who prepares these returns?
- Do you maintain a working file that might contain work papers, correspondence, memos?
- Did the insured display any unusual activity before or after the fire(s) in question?

*Financial red flags:*

- Decreasing revenue.
- Increasing production costs.
- New technology making current equipment cost inefficient.
- Increased competition.
- High research and development expenditures.
- Poor financial position in the Industry Ratio Analysis.
- Costly lease or rental agreements.
- Unprofitable contracts.
- Loss of key customers.
- Failure to record depreciation.
- Excessive spoilage or defects.
- Double payments of bills or duplicate sales invoices.
- Personal expenses paid with corporate funds.
- Numerous bank accounts.
- Low or overdraft cash balance.
- Poor or negative cash flow from operations.
- Frequent NSF (bounced) checks.
- Large or frequent currency transactions.
- Increasing trend in accounts receivable.
- Pledged assets.
- Hypothetical assets.
- Liens on assets.
- Factored accounts receivable.
- Inventory levels exaggerated on Proof of Loss.
- Removal of contents prior to fire.
- Overstocking caused by overproduction.
- Increased borrowing.
- Inability to pay current bills.
- Delinquent loan payments.
- Loans to or from officers/employees.
- Credit limits imposed by lenders.
- Credit limits imposed by suppliers.
- Frequent COD purchases.
- Payment of bills by cashier or certified check or money order.
- Delinquent or tardy tax deposits.
- Overstatement of asset value in Proof of Loss statement.
- Guarantor of co-maker of a note with loan in default.
- Subsequent sale or auction of assets claimed as loss.
- Excessive business interruption insurance.
- Litigation against business or owners.
- Extraordinary write-offs.
- Bankruptcy proceedings.
- Frequent or unusual intercompany transactions with affiliated company.
- Two sets of books maintained.
- False or altered documents and records or photocopies.
- Weak internal controls.
- Expired or revoked business license.
- Large unexplained differences between book and taxable income.
- Prior year losses or prior insurance claims.
- Purchase or sale of under- or over-valued assets or frequent resale of real estate.



# GENERAL GUIDELINE FOR DOCUMENT REQUEST TO INSURED AND FROM OTHER SOURCES

---

Included below is a listing of documents that may be relevant to your investigation. The list is not all-inclusive. It should be used only as a general guide in investigation, allowing for close consideration of what is material to the particular facts in your case.

---

## SIGNED RELEASES FOR:

- Financial Records
  - Credit Card Statements
  - Bank Statements
  - Books and Records from the Bookkeeper or Accountant
  - Other Financial Records
  - Billing and Expense Records from Vendors and Suppliers
  - State and Federal Tax Returns for Personal and Corporate Partnership/Proprietorship
- Employment Records (if any)
- Insurance Records of Other Insurance Companies and Agents/Brokers
  - Application
  - Declaration Page
  - All Policy Forms and Endorsements
  - Information Regarding Prior Claims of Any Kind
  - Any and all insurance records, including fire insurance policy and all other policies of insurance, including liability policies, and any memos, notes, correspondence, etc., concerning the purchase and/or renewal or modification of the insurance coverage of any kind.
  - All correspondence among all insured(s) and/or the insured and any other insurer or representative (including agent, broker, underwriter) regarding this property subject to the fire loss and any damages or loss resulting from the fire.
- Other Records
- Medical Records (if appropriate), to determine if there has been a burn injury and/or to investigate motive.
- Utility Records (to look for lapse in service and billing amounts to investigate financial; to determine amount of natural or propane gas used, if relevant to the origin and cause investigation; and also to determine abatement of Loss of Use claim).
- Telephone Records (home, business, cellular and/or portable)
  - 1 Investigate opportunity
  - 2 Motive
- Photographs and videotapes taken before and after the loss of the building and contents, even if not specifically taken for the purpose of inventory or documenting condition.
- Plans, blueprints, drawings, sketches, and other documentation illustrating the floor plan and contents of the premises where the fire occurred.
- All receipts, original bills, invoices, cancelled checks and other vouchers to reflect the original purchase and replacement/renovations of the items claimed.
- All estimates for repairs or replacement of the items lost in the fire, for both building and contents.
- Copies of receipts and documentation establishing any claimed loss of rents or business as the result of the fire loss.
- Any and all documents reflecting the condition of the building and/or the leased premises before the fire, including city code inspection reports and citations, if any, and correspondence, notes and repair records regarding same.
- Any and all records, receipts, repair orders, invoices, cancelled checks and correspondence regarding the inspection, repair and/or condition of any sprinkler system within one year before, and up to and including, the date of the occurrence.

- Any and all records, receipts, repair orders, invoices, cancelled checks and correspondence regarding any electronic data processing systems up to and including the date and time of the occurrence.
- Personnel records and files for all individuals employed by insured within six months of the fire loss.
- Any and all reports, receipts, correspondence, notices and cancelled checks regarding operation and condition and/or activation of any security system within one year prior to, and up to the time of, the date of the fire.
- Any receipts, invoices, reports, contracts, notes and correspondence regarding the repair to equipment and/or fixtures within three years prior to the occurrence.
- Receipts, invoices, plans, specifications and contracts regarding remodeling to the premises, building, and/or equipment within the past ten years.
- Any official investigative reports relating to the fire, including ATF, state fire marshal and fire department.
- Written reports by all experts who have investigated on behalf of other insurers or entities (if possible).
- Written reports by insurer investigation experts.
- Courthouse and official records (federal, state, local UCC) including, but not limited to: judgments, mechanic liens, deeds, tax records, evidence of transfer of property, divorce, bankruptcy.

## GENERAL GUIDELINE FOR EXAMINATION UNDER OATH TOPICS

---

Included below is a listing of suggested EUO topics that may be relevant to your investigation. The list of topics is not necessarily all-inclusive. It is a general guide to investigation, allowing for close consideration of what is material to the particular facts in your case.

---

### A ON THE RECORD, CONFIRM NON-WAIVER AND RESERVATION OF RIGHTS IF APPLICABLE, AND CONFIRM AGREEMENT TO SIGN EUO WHEN COMPLETED.

---

### B BACKGROUND:

---

- 1 Personal -- date of birth, Social Security Number (green card number), driver's license number, marital status, names and dates of birth of family members, as well as names and addresses of prior spouses, if any.
  - 2 Education.
  - 3 History of employment and business ventures, rate of pay and financial gains and losses from prior business dealings.
  - 4 Current and prior residences, and dates with whom resided.
  - 5 Civil suits of any kind, including bankruptcy.
  - 6 Criminal convictions, with dates, counties.
  - 7 Workers' compensation claims.
  - 8 Identify all prior insurance and all prior insurance claims of any kind.
- 

### C PRELIMINARY INSURANCE ISSUES:

---

- 1 Insurable interest (and innocent co-insured if applicable).
- 2 Who owns the building and the business?
- 3 Who is the named insured?
- 4 Identify potential third-party claimants.
- 5 Are there mortgagee or other third-party rights/potential claims?
- 6 Loss payees.
- 7 Mortgagees.

- 8 Liens against the property -- check public records regarding liens, judgments and other encumbrances to determine who has interest in and/or claim to the property, and also concerning financial motive.
- 9 If there is a land trust, review the land trust documents with the insured to confirm the identity of the beneficiary of the trust and the chain of title and beneficial interest, since in some states the public records will not show the true chain of title.
- 10 Confirmation of oral and written communication between insured and insurer to address compliance with policy provisions by the insured and insurer with the applicable state Fair Claims Practices Act.

---

**D CHECK THE APPLICATION FOR POTENTIAL  
“MATERIAL” MISREPRESENTATION:**

---

- 1 Check to see that the application is attached to the insurance policy (some states require for use as basis of denial for fraud).
- 2 Was the application written or verbal?
- 3 Who established the property values?
- 4 To what extent did insured participate in providing erroneous application information?

---

**E ADDRESS ANY ISSUES RAISED IN THE FILES OF AGENT  
BROKER, UNDERWRITER, AND CLAIM DEPARTMENT  
CONCERNING WHAT INSURANCE COVERAGE ACTUALLY  
EXISTS, INCLUDING ENDORSEMENTS  
(POTENTIAL WAIVER/ESTOPPEL ISSUES?).**

---

- 1 Explore the circumstances under which the policy of insurance was obtained.

---

**F DETERMINE WHETHER THERE HAS BEEN AN INCREASED HAZARD  
(I.E., DRUG OPERATIONS, OTHER ILLICIT ACTIVITIES OR SOME  
MODIFICATION TO THE PREMISES WHICH WOULD MAKE IT  
MORE HAZARDOUS) WITHOUT NOTIFICATION TO THE  
INSURANCE COMPANY.**

---

---

**G IDENTIFY ANY MODIFICATIONS TO THE BUILDING TO AFFECT  
ITS VALUE (ALSO REGARDING THE POSSIBLE CAUSE OF LOSS,  
I.E., ELECTRICAL REWIRING), WITHOUT NOTICE TO  
THE INSURER.**

---

---

**H REVIEW COMPLIANCE UNDER THE POLICY WITH RESPECT  
TO PRODUCTION OF RECORDS, THE PROOF OF LOSS (IS IT  
COMPLETE?), AND PROVIDING PAST AND ADDITIONAL  
RELEASES OF RECORDS.**

---

- 1 Identify on the record documents produced thus far and documents not yet produced per request, as well as further documents requested. Immediate follow up, in writing (by regular mail and signed receipt), regarding the records not produced is recommended.

---

**I THE PREMISES:**

---

- 1 Establish layout of the premises with a diagram, marked as an exhibit.
  - Use plans, photos, sketches from the fire department or insurance investigator.
  - Identify all entrances and windows. (The purpose of which is to establish contents and fire load, and to determine consistency of public and insurance investigation as to origin and cause.)
- 2 Confirm that any alarm system was engaged and working at the time of the occurrence.
- 3 Identify all doors last locked by the insured, who had keys to the doors and access to the alarm system (to explore whether there was forced entry).
- 4 Identify all flammables and combustibles on the property.
- 5 Identify property of others.
- 6 Identify wiring and outlet problems or recent electrical work for rewiring.
- 7 Identify all appliances, as well as prior problems and repair to each, if any.
- 8 Identify extent, age, value and origin of contents, stock or other personal property.

---

## J THE EVENTS SURROUNDING THE FIRE LOSS:

---

- 1 Determine if the insured was a witness, and if so, determine when he made his observations: the nature, color, location, intensity and duration of the fire and smoke that he observed. Also have him identify other people on the scene when he was there and other conditions of the scene, including signs of forced entry and unusual smells, including accelerant.
- 2 Document the insured's account of the time and cause of the fire, and the basis for the claim.
- 3 Explore insured's theories, if any, as to why the fire would occur, including motives of others to burn the building or dangerous conditions that might contribute to accidental fire.
- 4 Determine the whereabouts of the insured at the time of the fire, within 24 hours prior, whom he was with, and whether he used the telephone (home, business, cellular and/or portable), credit cards or bank ATM card. Confirm the clothing he wore at the time of the fire.
- 5 Identify any vehicle color, make and license plate.
- 6 Document any conversations the insured had with the authorities or with anyone else other than his attorney (if any) concerning the loss to commit insured to his account of those conversations.

---

## K FINANCIAL CONDITION:

---

- 1 Obtain the necessary records from insured and questioning to determine actual cash flow the time of the occurrence.
  - Personal
    - Income (Annual/Gross/Net, all sources)
    - Debts
    - Creditors
    - Mortgages
    - Banks
  - Financial Institutions
    - Personal Loans
    - Auto Loans
    - Credit Cards
    - Gasoline Cards
    - Promissory Notes
    - Others
    - NSF Checks
    - Late on Bills
    - Threats from Creditors
    - Collection Action
    - Savings Accounts
    - Checking Accounts
    - Names/Banks
    - CDs/Stocks/Bonds
    - Property Owned
    - Real Estate
    - Vehicles
  - Expenses
    - Household
    - Monthly
    - Health Care/Physicians
  - Personal Taxes
    - State
    - Federal
    - Property - Auto/Real Estate



- Business
  - Income (Annual/Gross/Net)
  - Sales
  - Revenues
  - Profits/Losses
  - Creditors
  - Suppliers
  - Recently Changed to Cash on Delivery Only?
  - Contractors
  - Labor
- Expenses
  - Operating
  - Inventory
- Business Taxes
  - Federal Income
  - Federal Withholding
  - 941/FICA
  - Tax Liens
  - Tax Debts
  - State Income/Sales
  - County
  - Property
  - Auto
  - Sales
- Bank Accounts
  - Loans
  - Notes
  - NSF Checks
  - Accounting Records/Financial Statements

Observe the nature of the responses and demeanor of the insured during the questioning and observe emotional responses.



## CONCLUSION

---

The investigation of any fire is unique, as each investigation acquires its own identity. No two investigations are exactly the same. Care and consideration must be exercised in the investigation of any fire loss.

This publication is not meant to be an “all-inclusive” document that covers every specific detail for a fire investigation. Instead, it is a generic guide designed to provide fire investigation assistance to law enforcement agents, claims professionals, NICB Special Agents and others involved in a fire investigation.

The NICB Fire Investigation Guide is not to be used in determining the origin and cause of a fire. Rather, it provides background information, possible investigative steps and relevant reference material. Not every section will pertain to every investigation or investigator. Further, the guide is not intended to be used in its entirety, as some sections will occasionally present duplicate information.

---



1111 East Touhy Ave., Suite 400  
Des Plaines, IL 60018  
800.447.6282  
[www.nicb.org](http://www.nicb.org)