

# Extinguishing Arson Fraud

Reports from the NFPA indicate that there are more than 50,000 intentional structure and vehicle fires annually. These fires cause an estimated \$1 billion in direct property damage.

Regardless of whether arson is orchestrated by organized criminals as part of an elaborate insurance fraud scheme or just a scam to “get a little money” on an insurance claim, it’s an insurance crime that costs you in more ways than one.

Like other types of insurance crime, you pay the price for arson fraud through higher insurance premiums. But beyond the financial costs, arson fraud can also jeopardize you and your family’s lives. These intentionally set fires can spread to your vehicle, property or workplace, or release life-threatening toxic fumes into the atmosphere.

The nation’s property/casualty insurers have specialized teams of claims professionals and investigators who examine suspicious fire claims. Working in conjunction with fire and police agencies, as well as experts in the origins and causes of fires, the insurance industry is dedicated to the prevention and detection of arson, and uncovering potentially fraudulent claims that cost them and their policyholders billions of dollars annually.

If you suspect property or vehicle arson fraud activities, contact the NICB in one of three easy ways:

1. Text “FRAUD” and your tip to TIP411 (847411).
2. Call 1-800-TEL-NICB (1-800-835-6422).
3. Submit a form on [www.nicb.org](http://www.nicb.org).

Your tip can be anonymous.

## For More Information

The National Insurance Crime Bureau (NICB) is the nation’s leading nonprofit organization exclusively dedicated to leading a united effort of insurers, law enforcement agencies and representatives of the public to prevent and combat insurance fraud and crime through data analytics, investigations, training, legislative advocacy and public awareness.

Learn more about property and vehicle arson fraud and how to avoid becoming a victim of these and other insurance crimes on the NICB’s Web site at [www.nicb.org](http://www.nicb.org).



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## Arson Fraud Your Money Up In Smoke

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# The Heat Is On

According to the National Fire Protection Association (NFPA), every 22 seconds a fire department responds to a fire somewhere in the U.S. Every 61 seconds a fire occurs in a structure, and a fire occurs in a vehicle every 134 seconds. While there are various causes for fires, some can be contributed to arson. Arson is the crime of intentionally and maliciously setting fires to structures or other types of properties.

Most people don't think of arson as an insurance crime, but it usually is. While news headlines often emphasize the damages, injuries and fatalities caused by intentionally set fires, these crimes cross the line into insurance fraud when arsonists submit insurance claims for damages and losses caused by the blazes.

The NFPA estimates there are more than 50,000 intentional structure and vehicle fires annually, causing in excess of \$1 billion in direct property damage.

That's where arson affects you...even if the fire occurs thousands of miles away. All too often, the public perceives arson solely as an insurance company issue, but it's your problem, too.

Arson-related insurance claims contribute to the billions of dollars lost annually to insurance fraud in the U.S. A significant amount of those losses are then passed on to you and other consumers in the form of higher insurance premiums.



# Property Arson: Money Fans the Flames

There are countless reasons why people commit property arson. While juvenile offenders frequently set intentional property fires for thrill-seeking or vandalism purposes, adults typically do so for financial-related reasons. Arson-for-profit can be economically lucrative and is a classic method for committing insurance fraud.

There are many potential motives for burning commercial and residential buildings and property to collect insurance proceeds including:

- To alleviate financial problems, such as heavy debts or pending bankruptcies
- To replace old or damaged equipment and household goods
- To get out of an unprofitable lease
- To quickly liquidate a business or unwanted inventory
- To rebuild or remodel a home
- To dispose of illegal chemicals
- To cover other crimes, such as tax evasion or financial scams
- To claim losses on nonexistent property

While an arson blaze can destroy physical evidence, insurance investigators follow a paper trail to uncover a suspicious property fire's origin and cause. Among other techniques, they will typically review a claimant's mortgages, financial records, ownership paperwork, business records and previous claims history to help determine if the property fire claim is truly legitimate or an attempt to fraudulently make money.



# Vehicle Arson: Hot Wheels Burn Everyone

Vehicle arson is another method for committing fraud against insurance companies and for covering other crimes. Thousands of vehicles are destroyed by fire each year. It's a crime committed by professional thieves as well as vehicle owners who may feel trapped by financial, domestic and/or mechanical problems.

Since vehicles contain large amounts of combustible material, people contemplating vehicle arson can incorrectly assume a fire will easily consume the vehicle and hide the criminal evidence. Safety and engineering designs, however, have made it very difficult for a vehicle to burn under normal conditions. Further, insurance investigators utilize a wide range of testing techniques to uncover potential arson. As such, the possibility of claiming the fire as "accidental" becomes less plausible.

Vehicle arson is a crime that isn't burning out. An NICB questionable claims report found that claims related to suspicious vehicle fires/arsons were up 26 percent in 2009 compared to 2008.

Like property arson fraud, vehicle arson fraud schemes are oftentimes financially motivated. People have an instant criminal motive when a vehicle is worth more in an insurance claim than it is on the market. Some of the more common fraud-related reasons for vehicle arson include:

- Owner cannot afford the vehicle payments
- Vehicle is worth less than the payments owed on it
- Vehicle is in poor mechanical condition, and the owner cannot sell it
- Owner has exceeded lease terms, such as mileage limits
- Owner wants a nicer vehicle
- Vehicle was used in other insurance fraud or theft schemes and is set ablaze to cover up those crimes