



Date: September 9, 2015

Regarding: **Vehicle Repair Questionable Claim Referrals, January 1, 2013 – June 30, 2015 (Public Dissemination)**

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Executive Summary

This *ForeCAST*SM Report analyzes Vehicle Repair Questionable Claim referrals (QCs) submitted to the National Insurance Crime Bureau (NICB) from 2013 through the first half of 2015 to identify any trends and patterns. For the purpose of this report, Vehicle Repair QCs are defined as QCs which list one of the following Referral Reasons¹: Auto Glass Fraud, Auto Repair/Body Shop, Faked Damage, Inflated Repairs, Inflated Tow Bill/Storage, Odometer Fraud, Prior Loss/Damage, and Unperformed Repairs.

This report includes an analysis of Vehicle Repair QCs overall, by Referral Reason, by state, and by city. Vehicle Repair QCs have increased every year since 2013 in both number and proportion, from 24,312 QCs (20% of total QCs) in 2013 to 27,349 QCs (22% of total QCs) in 2014. This represents a 12% increase in Vehicle Repair QCs from 2013 to 2014. Vehicle Repair QCs in the first half of 2015 increased from previous years to 14,520 and the total for the year is projected to be at the highest level yet at 29,040. Industry experts believe that as many as 40% of repair estimates in some shops are fraudulent². Vehicle Repair QCs are at the highest point on record, and any increase in Vehicle Repair fraud is extremely costly.

Prior Loss/Damage was the referral reason listed in the most Vehicle Repair QCs submitted in 2013 through 2014, listed in 60% of Vehicle Repair QCs, followed by Faked Damage with 30%. The Referral Reasons for the first half of 2015 were similar to the 2013-2014 numbers with Prior Loss/Damage being listed in 66% of QCs and Faked Damage in 25%.

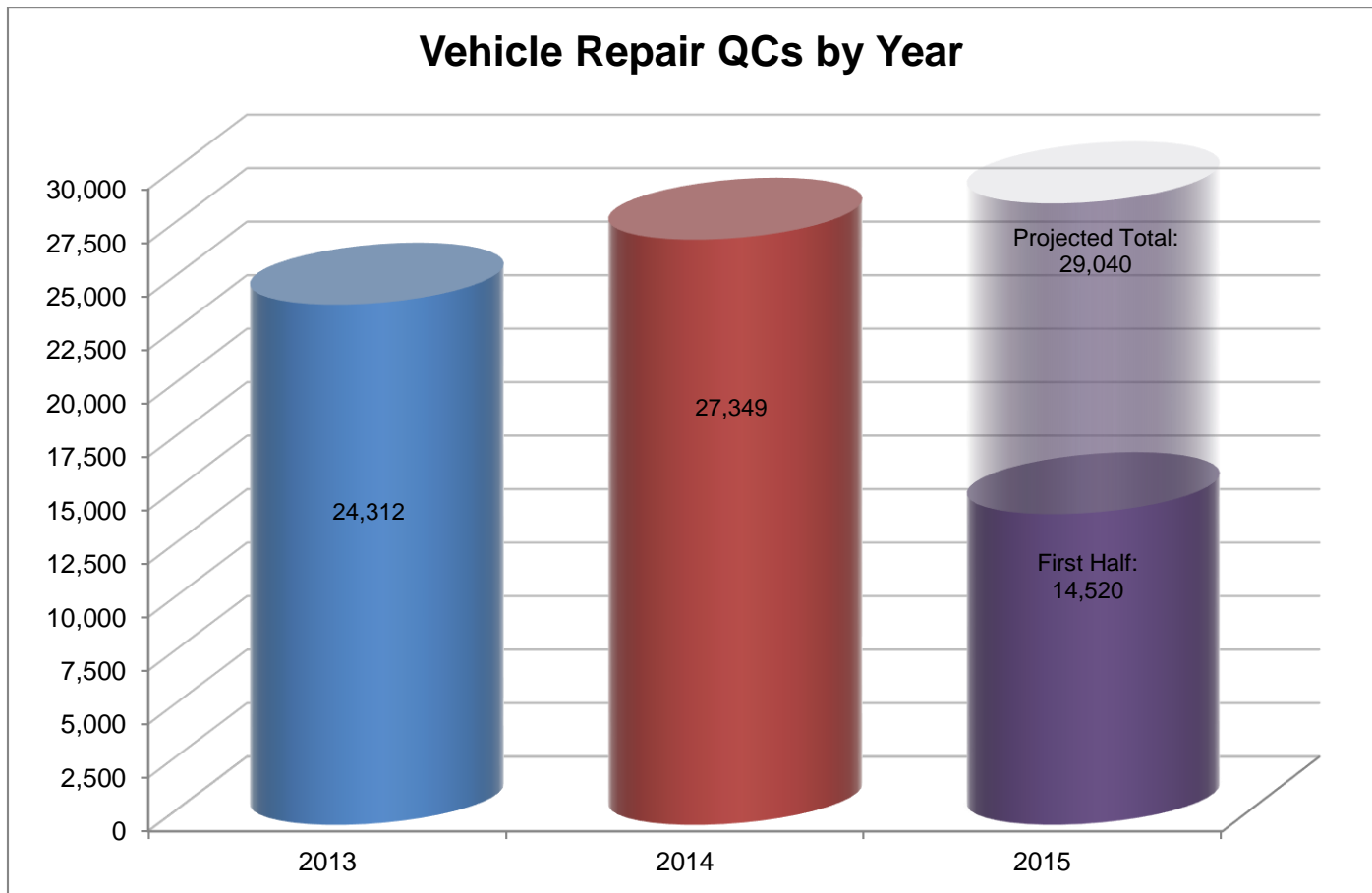
California, Texas, and Florida are the top 3 loss states and also account for 6 of the top 10 loss cities. The top 3 loss cities are Los Angeles, CA; New York, NY; and Houston, TX.

Section 1: Analysis of Vehicle Repair Fraud QCs

Vehicle Repair QCs have risen considerably in the last few years, with a 12% increase from 24,312 QCs in 2013 to 27,349 QCs in 2014. In the first half of 2015, 14,520 Vehicle Repair QCs were referred to NICB. Vehicle Repair QCs in 2015 are projected to reach 29,040 QCs and be at the highest level yet.

¹ Questionable Claims can list up to 7 Referral Reasons for a single claim.

² As reported in National Insurance Crime Training Academy (NICTA). *Body Shop Fraud Course*. From www.nicta.org



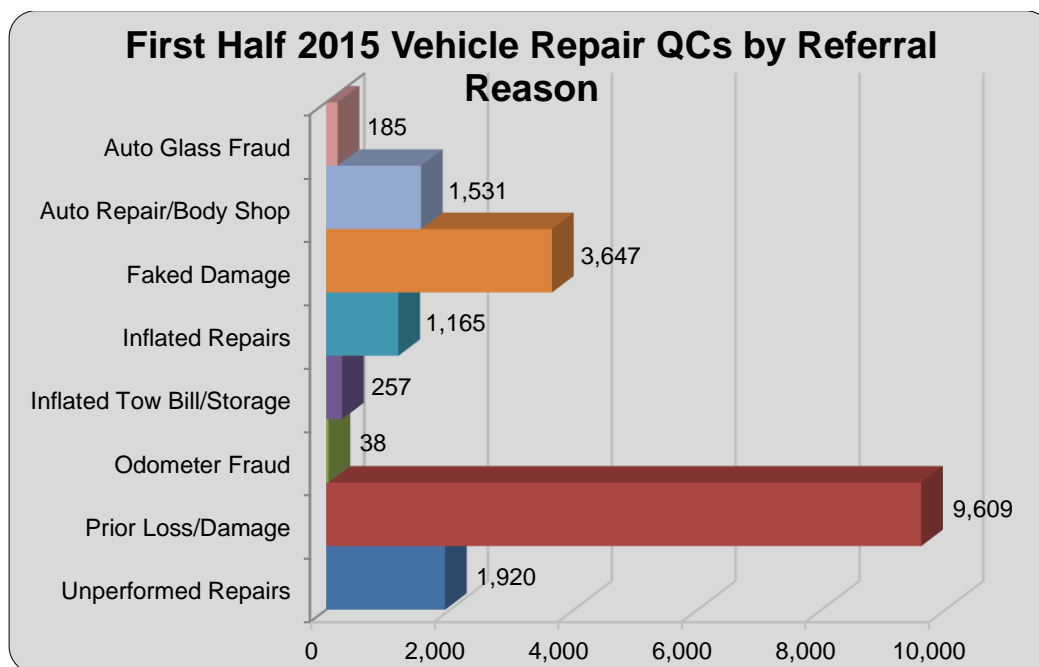
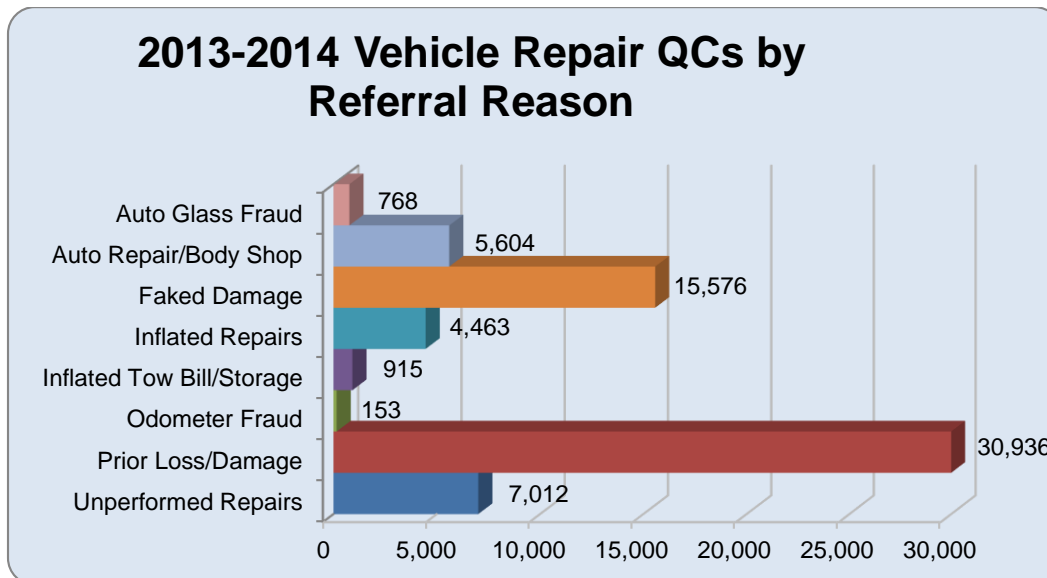
The ratio of Vehicle Repair QCs to total QCs also rose between 2013, 2014, and the first half of 2015. Vehicle Repair QCs accounted for 20% of the total QCs reported in 2013 (121,800 total QCs) and rose to 22% in 2014 (123,110 total QCs). In the first half of 2015, Vehicle Repair QCs make up 24% of the total QCs (59,992 total QCs)³.

Vehicle Repair QCs: By Referral Reason

Prior Loss/Damage was the referral reason listed in the most Vehicle Repair QCs submitted in 2013 and 2014, showing up in 60% of Vehicle Repair QCs, followed by Faked Damage with 30%. The next Vehicle Repair Referral Reasons were Unperformed Repairs with 14% and Auto Repair/Body Shop with 11%. Inflated Repairs was listed in 9% and Inflated Tow Bill/Storage was listed in 2% of Vehicle Repair QCs. Auto Glass Fraud was the second least common Referral Reason, listed in 1%, while Odometer Fraud was the least common Referral Reason, listed in less than 1% of Vehicle Repair QCs.

The Referral Reasons for the first half of 2015 were similar to the 2013 and 2014 numbers with Prior Loss/Damage being listed in 66% of Vehicle Repair QCs and Faked Damage in 25%. Unperformed Repairs was listed in 13% of Vehicle Repair QCs and Auto Repair/Body Shop was listed in 11%. Inflated Repairs was listed in 8% and Inflated Tow Bill/Storage was listed in 2%. Auto Glass Fraud was the second least common Referral Reason, listed in 1%, while Odometer Fraud was again the lowest Referral Reason, listed in less than 1% of Vehicle Repair QCs.

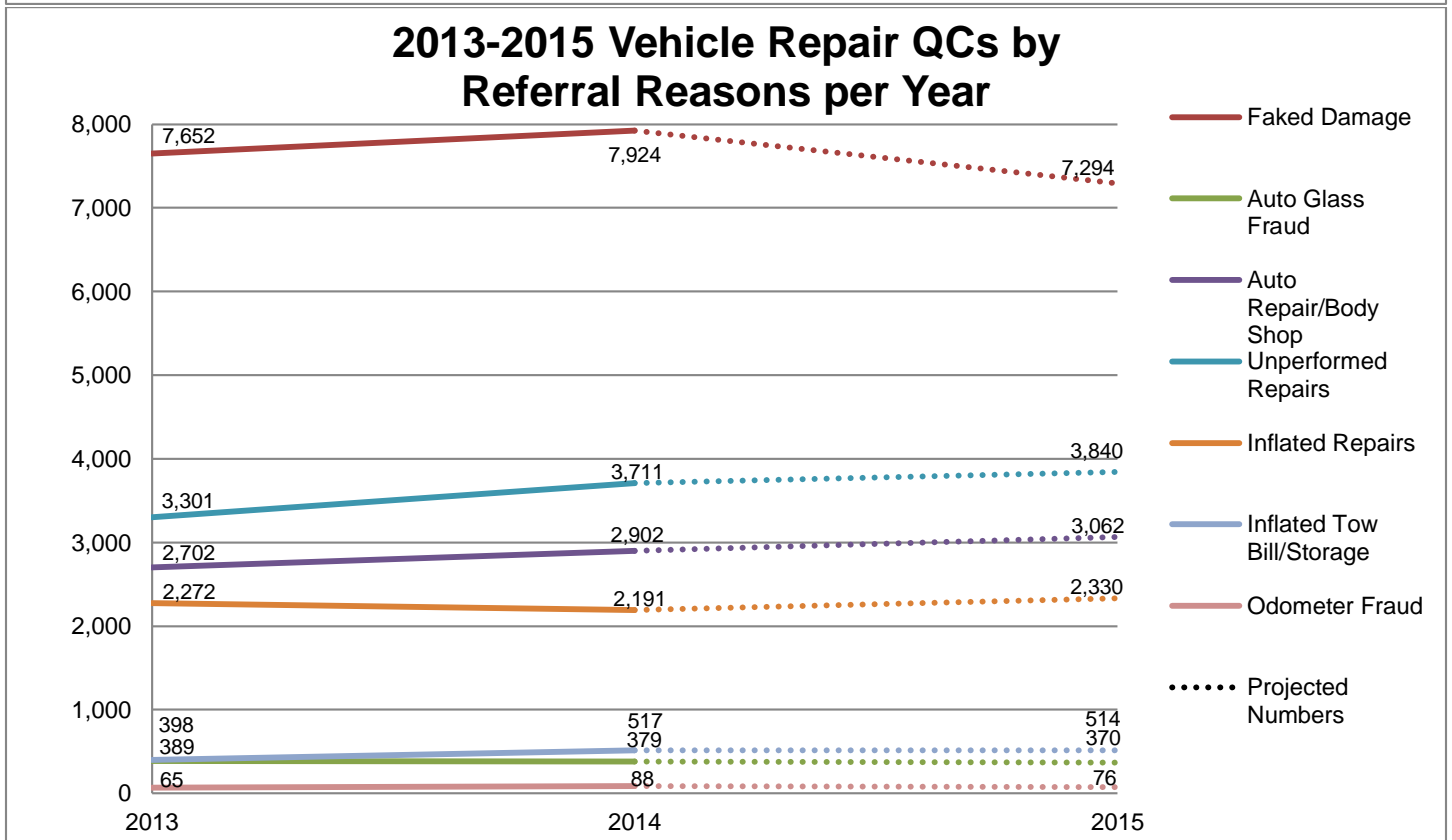
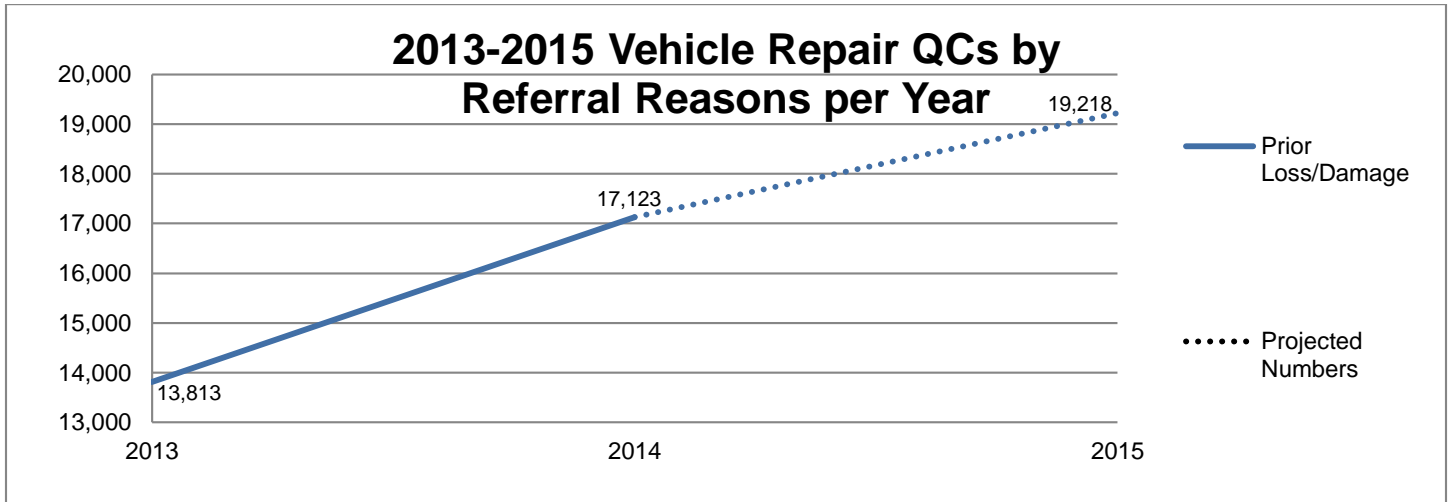
³ The Questionable Claims database is a dynamic dataset, thus, QC totals may vary.



Most of the referral reasons rose steadily from 2013 through 2014. The largest increases from 2013 to 2014 were for Odometer Fraud (35%), Inflated Tow Bill/Storage (30%), Prior Loss/Damage (24%), and Unperformed Repairs (12%). Auto Repair/Body Shop increased by 7% and Faked Damage increased by 4%. The two Referral Reasons that declined over this period were Inflated Repairs (-4%) and Auto Glass Fraud (-3%).

The referral reasons that are projected to increase from 2014 to 2015 are Prior Loss/Damage (12%), Auto Repair/Body Shop (6%), Inflated Repairs (6%), and Unperformed Repairs (3%). The referral reasons that are projected to decrease from 2014 to 2015 are Odometer Fraud (-14%), Faked Damage (-8%), Auto Glass Fraud (-2%), and Inflated Tow Bill/Storage (-1%).

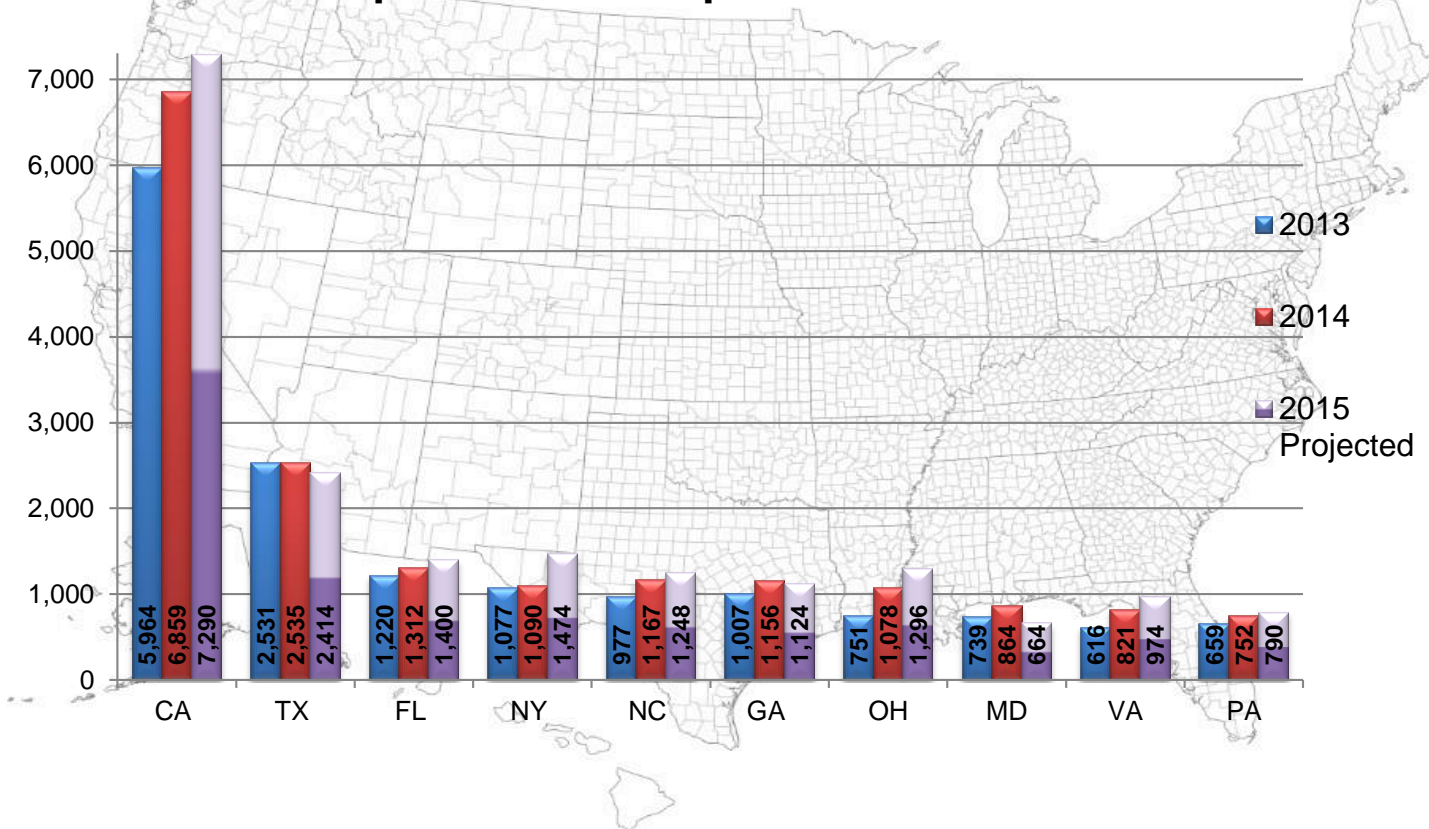
The graphs below show the Vehicle Repair Referral Reasons by Year with the projected numbers for 2015. The first graph shows the figures for the Prior Loss/Damage QCs, which was separated out because of the large difference in the number of QCs. The second graph shows the figures for all other Vehicle Repair QC Referral Reasons.



Vehicle Repair QCs: By Loss State

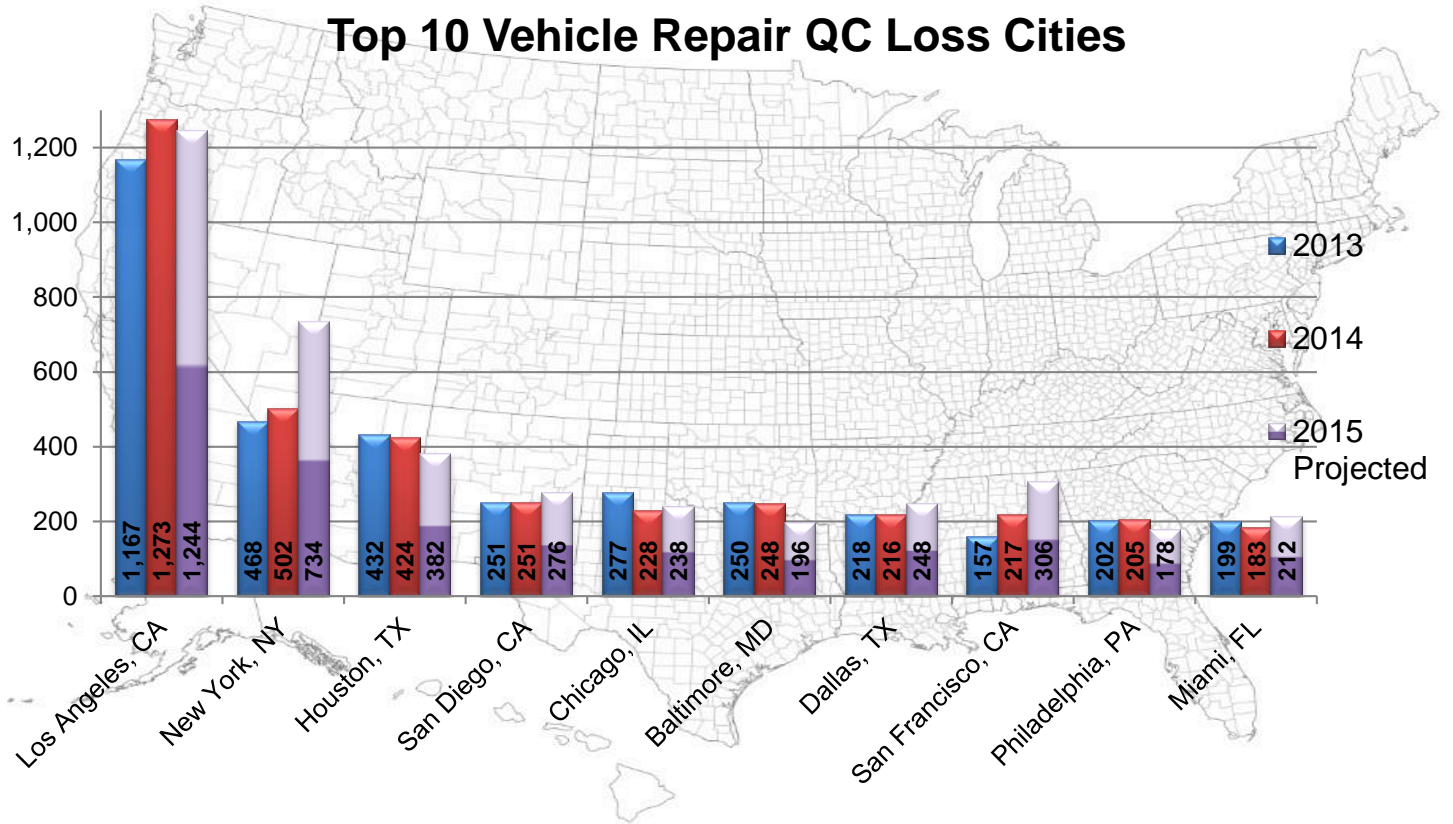
The following graph shows the Top 10 Vehicle Repair QC loss states for 2013 through 2014 with the number of projected Vehicle Repair QCs for 2015. The top 10 states were determined by the overall Vehicle Repair QC totals from 2013, 2014, and the first half of 2015 and the graph is organized left to right by total rank over this time period. California, Texas, and Florida are the top 3 states and also account for 6 of the top 10 loss cities in the subsequent graph.

Top 10 Vehicle Repair QC Loss States

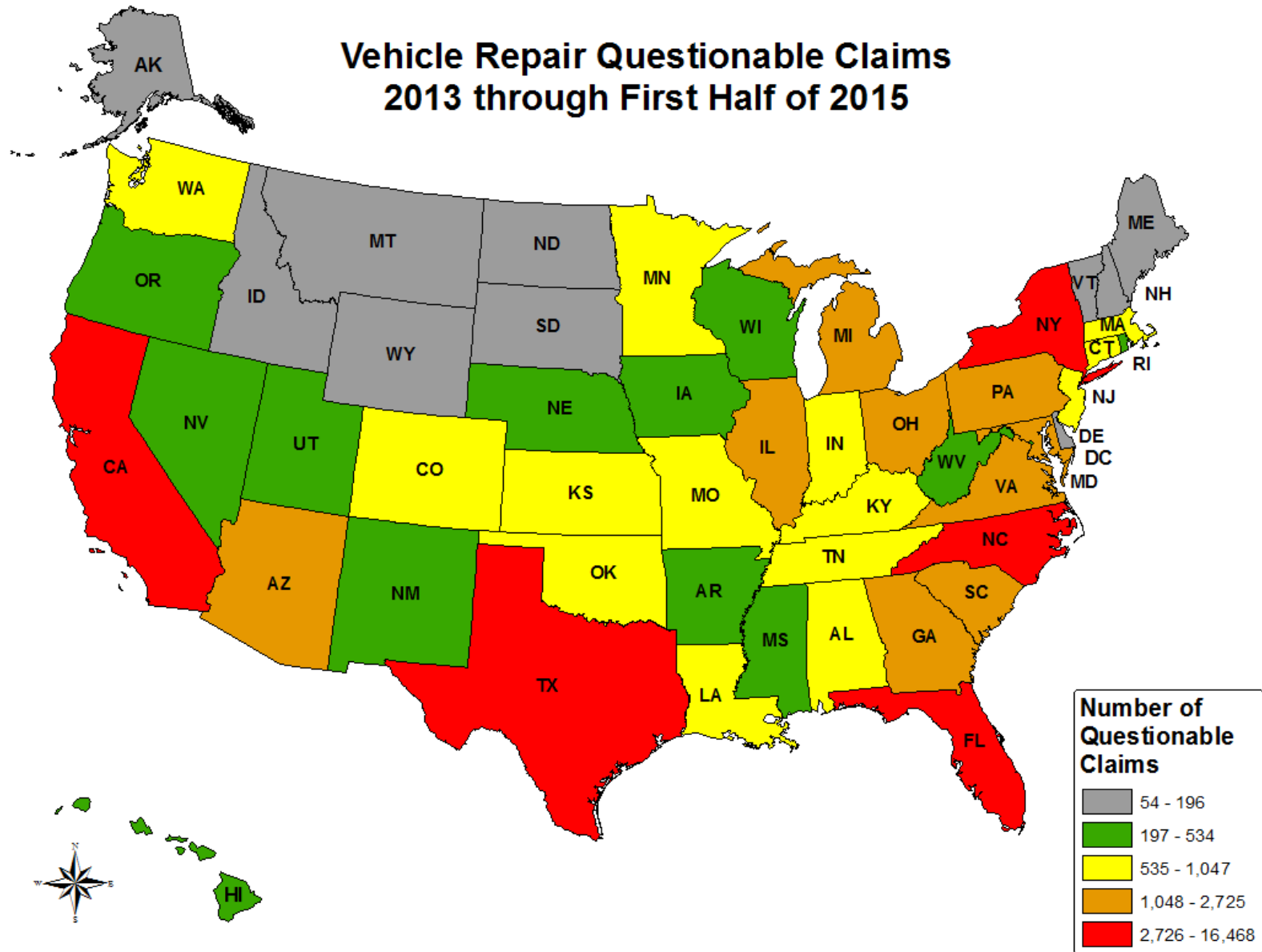


Vehicle Repair QCs: By Loss City

The following graph shows the top 10 Vehicle Repair QC loss cities for 2013 through 2014 with the number of projected Vehicle Repair QCs for 2015. The top 10 cities were determined by the overall Vehicle Repair QC totals from 2013, 2014, and the first half of 2015 and the graph is organized left to right by total rank over this time period. Los Angeles, CA had the most Vehicle Repair QCs, followed by New York, NY, and Houston, TX.



The map on the following page shows the number of Vehicle Repair QCs by state for 2013 through the first half of 2015.



Section 2: Conclusion

Vehicle Repair QCs have increased every year since 2013 in both number and proportion, from 24,312 QCs (20% of total QCs) in 2013 to 27,349 QCs (22% of total QCs) in 2014. This represents a 12% increase in Vehicle Repair QCs from 2013 to 2014. Vehicle Repair QCs in the first half of 2015 increased from previous years to 14,520 and the total for the year is projected to be at the highest level yet at 29,040.

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California, Texas, and Florida are the top 3 loss states and also account for 6 of the top 10 loss cities. The top 3 loss cities are Los Angeles, CA; New York, NY; and Houston, TX.

The following suggestions should be employed to help avoid and combat Vehicle Repair fraud⁴:

- Use reputable collision repair shops that employ ASE-certified body technicians. Also, look for updated certifications such as the Automotive Service Excellence Seal, the National Institute for Automotive Service Excellence, and the Automobile Association of America certification.
- Be skeptical if the shop offers to help you recover or “waive” your deductible. For example, a mechanic might suggest installing a used part, billing the insurance company for a new one, and passing on the illegal cost savings.
- Obtain a shop recommendation from your insurance company, a family member, or friend. When checking out a shop, ask management for references and see if the local Better Business Bureau has complains on file.
- Select a facility that is clean and orderly, with updated equipment. The staff should be courteous and willing to answer any questions.
- Choose a shop that uses a written damage report instead of a written estimate of cost/price of repair. A damage report is a “blueprint” for repairs. Damage reports also contain more details about the repairs than written estimates.
- Ask for a written warranty on installed collision repair parts and paint work. Get a written estimate that includes parts and labor before authorizing repairs. Make sure to have the shop ask for approval before performing work that exceeds a certain dollar amount.
- Ask to see the repairs that have been performed. Have the shop point out what parts were replaced or repaired and ask to see any old parts that were replaced.
- If insurance fraud is suspected, contact the insurance company covering the repairs or the National Insurance Crime Bureau.

⁴ As reported in Coalition Against Insurance Fraud. *Auto Repair Scams*. From www.insurancefraud.org and NICB Fact Sheet: *Putting a Dent in Collision Repair Fraud*. From www.nicb.org