



California Department of Insurance

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Effective Anti-Fraud Program (California)

- **Insurance is a \$118 Billion Dollar Industry in California**
- **Insurance fraud and abuse impacts consumers**
- **Effective detection, investigation and prosecution result in lower consumer costs**

National Insurance Crime Bureau Facts...

- Insurance fraud is the second most costly white-collar crime in America behind tax evasion
- Insurance fraud costs Americans about \$30 billion each year
- \$300 in higher premiums for average households annually

More Anti-Fraud Statistics

- 10% P/C insurance claims are fraudulent (NICB)
- 15-20% Auto insurance claims are fraudulent (CA Legislature findings)

CDI Enforcement Branch

INVESTIGATION DIVISION

POINT OF SALE:

Agent, Brokers, Carriers

Premium Theft

Senior Citizen Abuse

Viatical Settlement

Bogus Insurers

Anti-Consumer Practices

Title Insurance

Insurance Company

Insider Fraud

Bail Bonds

MARKET CONDUCT

LEGAL

CONSUMER SERVICES 800-927-HELP

FINANCIAL SURVEILLANCE

FRAUD DIVISION

CLAIM:

**Workers' Compensation,
Auto, Property/Casualty**

Medical/Legal Provider

Organized Automobile

Employer Fraud

Claimant Fraud

Health/Disability

Insurance Company

Insider Fraud

Insurance Fraud

- Fraud occurs when someone knowingly lies to obtain some benefit or advantage to which they are not otherwise entitled or someone knowingly denies some benefit that is due and to which someone is entitled

Insurance Fraud Not Just a White Collar Crime?

- **Insurance Fraud Suspects Often Involved in Other Illegal Activities**

- Weapons

- Money Laundering

- Drugs



Insurance Fraud

- **A Crime is Complete When:**
 - An act is completed
 - Suspect had intent to defraud
 - fraudulent *material* statement or *material* misrepresentation
 - The act and mental state or intent must come together (One without the other is not a crime)
 - Actual Loss is not needed so long as the suspect has committed an act and had the intent to commit the crime
(Note: 4 year statute of limitations)

COMPONENTS REQUIRED FOR A CRIMINAL FRAUD FILING

- **CASE SUMMARY**
 - introduction to the case
- **SUSPECT INFORMATION**
 - identification, background, etc.
- **REQUESTED CHARGES**
- **WITNESS LIST**
 - interviews (testify on observations or verify evidence)
- **DETAILS OF INVESTIGATION**
 - describe investigation
 - elements of crime covered
 - written in a factual manner and not in a conclusionary manner
- **DOCUMENT LIST OR INVENTORY OF EVIDENCE**
 - attachments or exhibits proving crime

Insurance Fraud Statute Of Limitations

Penal Code Sec. 801.5: Four years after discovery or within four years after completion of offense whichever is later

*most states-4 years

Insurance Company Special Investigation Unit (SIU)

Each Insurer to file an annual SIU compliance report in a timely manner and on a form prescribed by the CDI

- Designated SIU person responsible for the anti-fraud training
- Anti-fraud training program shall consist of 3 levels:
 - (1) All newly-hired employees shall receive an anti-fraud orientation within 90 days
 - (2) Integral anti-fraud personnel shall receive annual anti-fraud training
 - (3) SIU personnel shall receive continuing anti-fraud training
- Establish and maintain an ongoing anti-fraud training program

TOOLS OF SPECIAL INVESTIGATION UNITS

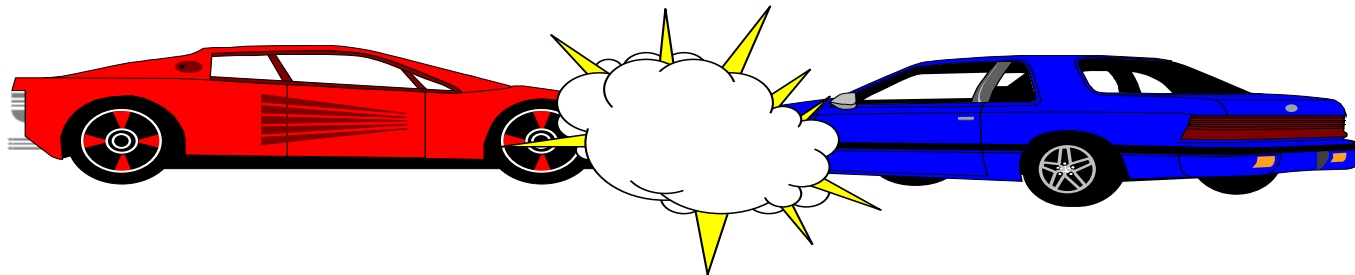
- Authorizations
- ISO Indexes
- Carfax
- Lexis/Nexis
- Court Filings
- Credit Reports
(criminal, civil and bankruptcy)
- PILR
- Recorded Statements
- Witness Interviews
- Canvases
- Photos
- Forensic Inspections
- NICB Checklists
- Insurance Code § 791.13 Requests

COMMON AUTO BODY INSURANCE FRAUD SCHEMES

- Inflate repair estimate to cover pre-existing damage to vehicle
- Inflate repair estimate to cover deductible
- Cause additional damage to vehicle
- Repair to vehicle not done according to estimate
- Supplying repair estimate to owner of vehicle with no damage

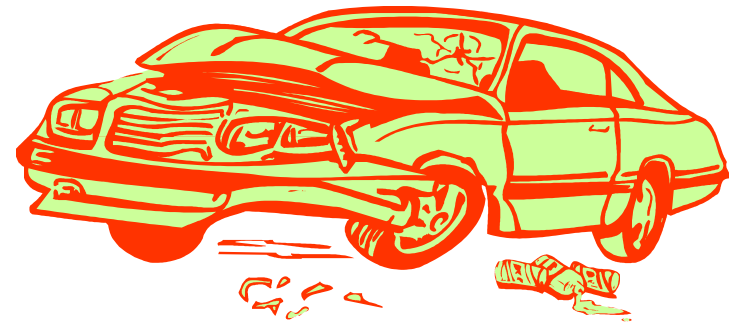
STAGED COLLISION DEFINITION

A **planned incident** designed to fraudulently obtain monies from an insurance entity.” - The Investigation of Staged Accidents, California Highway Patrol Academy, Advanced Accident Investigation School.



Types of Staged Accidents

- DRIVEDOWNS
- SUDDEN STOP/PANIC STOP
- START AND STOP
- SWOOP AND SQUAT
- PEDESTRIAN VS. VEHICLE
- BIKE VS. VEHICLE
- PAPER ACCIDENTS
- RIGHT OF WAY
- LANE CHANGE



California (Compared to other States)

- **#1- Referrals - 27,687 (NY - 2nd, 25,945)**
National average is 2,834 per State.
- **#1- Criminal convictions - 1,546 (Fla. – 2nd, 493)**
National average is 93 per State
- **#1- Convictions per 100,000 residents - 4.36 (NJ - 2nd, 4.21).**
National average is 1.09 Per State

**From the Coalition Against Insurance Fraud's recent publication
State Insurance Fraud Bureaus: A Progress Report: 2001 to 2006**

Additional Comparisons

- **#2- Cases presented for prosecution - 754, (Fla. - 773)**
National average is 119 per State
- **#5- Cases opened - 1,250 (NJ #1 - 2,977)**
National average is 650 per State

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THANK-YOU!



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