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FRAUD – AN SIU VIEW

Casualty Actuaries of New England

March 10, 2010

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1

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“The chief motive in all insurance crimes is financial profit” Alfred Manes


2

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What is Fraud?


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What is Fraud?

- **deceit, trickery, sharp practice, or breach of confidence, perpetrated for profit or to gain some unfair or dishonest advantage.** Dictionary.com


4

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What is fraud?

An intentional perversion of truth for the purpose of inducing another in reliance upon it to part with some valuable thing belonging to him or to surrender a legal right.....
Black's Law Dictionary

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Insurance Fraud

The abuse of the insurance system for financial gain.

6

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Why do people commit insurance fraud?

7


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Why do people commit insurance fraud?

Easily justified!

- They mistreated me!**
- Times are tough!**
- Everyone does it!**
- Who am I hurting? It's my money!**

8

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CAIF Four Faces Study surveyed 602 households in the US.

REASONS PEOPLE GAVE AS TO WHY FRAUD IS OK!

- To save money or reduce costs
- To get expensive work done they would not otherwise be able to afford
- To “get back” at the insurance company

9

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People fall into four groups:

- MORALIST
- REALIST
- CONFORMIST
- CRITIC

10

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MORALISTS

- NO TOLERANCE FOR FRAUD
- SEE NO REASON WHY SOMEONE WOULD WANT TO COMMIT FRAUD
- SUPPORT STRONG PUNISHMENT AGAINST THOSE WHO DO


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REALISTS

- LOW LEVEL OF TOLERANCE
- CAN UNDERSTAND WHY SOMEONE WOULD WANT TO DO IT


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CONFORMISTS

- FAIRLY TOLERANT OF FRAUD
- “EVERYONE IS DOING AND AND YOU'RE DUMB IF YOU DON'T”
- WILL TAKE THE OPPORTUNITY TO DO IT IF THEY HAVE THE CHANCE


13

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CRITIC

- HIGHEST TOLERANCE FOR FRAUD
- “INSURERS HAVE ONLY THEMSELES TO BLAME FOR THE HIGH LEVEL OF FRAUD”
- BLAME EXTERNAL FORCES WHEN THINGS GO WRONG
- NO REGARD FOR BIG INSTITUTIONS IN SOCIETY, GOVERNMENT AND THE MEDIA
- CAN'T UNDERSTAND WHY PEOPLE ARE PROSECUTED FOR FRAUD

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SO, WHICH GROUP IS COMMITTING THE MOST FRAUD?

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“Fraud and deceit abound in these days more than in former times”

16

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“Fraud and deceit abound in these days more than in former times”

Sir Edmund Coke - 1602

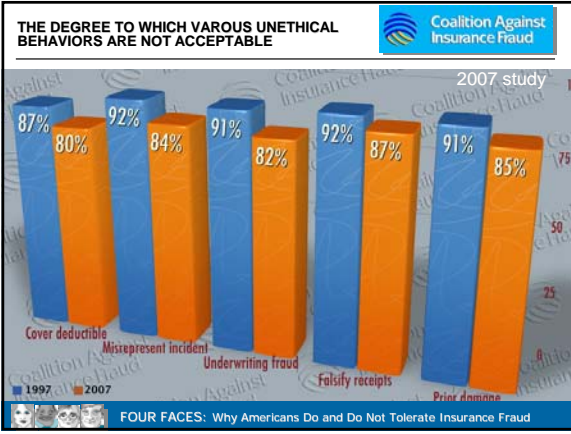
17

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We have seen a deterioration in morals and ethics in the last few years as it relates to fraud.

Why?

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What is the cost of fraud?

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\$30 Billion? \$100 Million?

\$90 Billion?

\$3.95? \$0

????????????????????????????????????????????????????????????

21

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Fraud is truly a hidden crime in most instances. The cost is a mystery to most experts.

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- The cost of fraud is virtually impossible to determine.
- Insurance fraud is designed to be undetectable, unlike visible crimes like murder and robbery.
- As such, the number of cases that are detected is much lower than the number of acts that are actually committed!

23

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HARD FRAUD

VS.

SOFT FRAUD

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HARD FRAUD

Hard fraud occurs deliberately and is a planned or staged event.

- Arson for profit
- Staged Accidents
- Auto Theft, Salvage and Import Fraud

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SOFT FRAUD

Soft fraud, or opportunistic fraud, is much more common and harder to detect.

- Exaggerated claims
- Rate evasion
- W/C malingering

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TYPES OF FRAUD


The types of insurance fraud that exist are as diverse as the types of policies that are available.

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- Life Insurance
- Health Care Insurance
- Automobile Insurance
 - Property Insurance
- Worker's Compensation Insurance
 - Disability Insurance


28

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INFORMATIONAL SITES

- WWW.NICB.ORG
- WWW.INSURANCEFRAUD.ORG (CAIF)
- WWW.IFB.ORG (MA IFB)
- WWW.HELPSTOPFRAUD.ORG (VA IFB)
- WWW.FRAUDNY.COM (NYAAIF)

29

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QUESTIONS?

30
