



## **THE COMMUNITY INSURANCE FRAUD INITIATIVE (CIFI) A FIVE YEAR RETROSPECTIVE**

*A joint report by the Automobile Insurers Bureau of Massachusetts (AIB)  
and the Insurance Fraud Bureau of Massachusetts (IFB).*

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### **EXECUTIVE SUMMARY**

In late 2003, a 65 year old grandmother was killed in what eventually was proven to be a staged accident in the City of Lawrence, Massachusetts. This tragic event led to the creation of a unique and unprecedented task force dedicated to combating insurance fraud in the city, and eventually to the unraveling of a network of staged accident participants and facilitators that spanned ordinary citizens, runners, chiropractors, physical therapists and lawyers. This scheme had saddled the insurance industry, and ultimately the auto insurance buying public, with tens of millions of dollars of escalated costs for years. The good news is that the trend has been halted and significantly reversed.

This report will demonstrate the following:

- Lawrence, while identified as the worst hotbed of fraudulent claims in the state, was not the only one. Now 13 communities and their surrounding areas have in place task forces, labeled “Community Insurance Fraud Initiatives”, or CIFI’s. These task forces have been a catalyst in the four year, steady reduction of auto insurance premiums in the Commonwealth.
- The IFB, local police departments, District Attorneys, together with additional assistance from the Attorney General and insurance company special investigative units, have collectively found a key strategy to combat fraud networks at the local level.
- People who purchase auto insurance in the City of Lawrence alone have saved over \$40 million dollars over the past five years, mostly as a result of this remarkable effort.
- Professionals, including chiropractors and attorneys who participated in this cottage industry, have been prosecuted or have closed their operations. For instance, larger chiropractors in Lawrence alone have decreased in both clinic counts and billings by up to 90 percent.
- Positive results of varying degrees have been witnessed in the other 12 CIFI communities.
- Staged accident activity in Massachusetts has reduced dramatically as people around the state who used to be involved in fraudulent activities have taken notice of the crackdown and altered their activities.

## **THE ORIGIN OF THE CIFI'S**

The staged accident that kicked off this effort occurred on September 4, 2003, and immediately hit the front page of the Lawrence Eagle Tribune. Leaders of the IFB and the Lawrence Police Department (LPD) reacted quickly, and by October, a full task force was in place, housed in Lawrence, and included two IFB senior investigators, two detectives from the LPD, and dedicated prosecutors from the Essex County District Attorney's office.

Armed with data garnered by the IFB, and referrals from the insurance industry, the task force went about identifying possible other staged accidents in the city. At the same time, the task force reached out to the community through billboard advertising and newspaper ads highlighting a reward program. Soon, community meetings took place, spearheaded by a local state senator.

These actions all produced quick results. By the end of the year, after only three months, 17 people were charged with insurance fraud, largely due to staged accidents.

The Division of Professional Licensure took note, and invited ALL of the state's licensed chiropractors to Lawrence for a summit on the problem. In Lawrence, it seemed that most of the staged accidents had roots in runners working directly for local chiropractors who were feeding off the extra "patients" the accidents brought in.

To this day, the task force is active, working through an inventory of possible staged accident cases that have come to light.

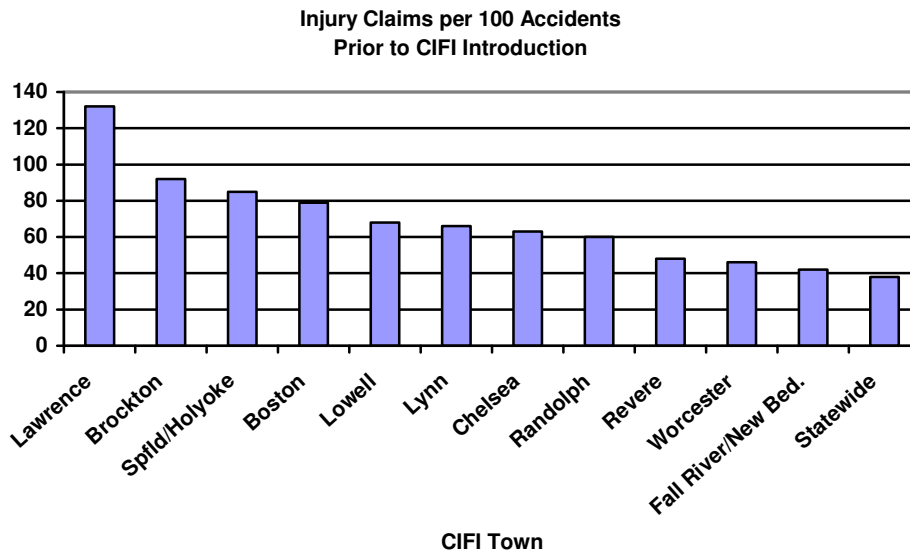
## **EXPANSION EFFORTS**

AIB played a key role in assisting the IFB in determining how to use what was done in Lawrence so successfully, and to identify an expansion plan for the program. In evaluating what was unique statistically about Lawrence, it was discovered that leading up to 2003, Lawrence had developed the highest measurable statistic in a newly developed metric, the "injury-to-accident-ratio". Actually, as measured historically, Lawrence stood out as having 141 reported injuries for every 100 accidents, far above any other community, and nearly 4 times the statewide average of 38 injuries per 100 accidents. The only plausible cause for this high number seemed to be the inordinate number of high-occupant, multi-car, injury-related accidents that were synonymous with staged accidents.

When accidents were staged in Lawrence, they typically involved two cars, each with a large number of occupants (presumably to maximize the payback). This drove the injuries to accident ratio statistic through the roof.

Using this as a guide, and as the best known indicator of potential evidence that many staged accidents were being submitted through the insurers accident year data, the AIB identified other cities or communities that could benefit from a similar CIFI task force effort. Armed with this information, the IFB then set out to reach out to police departments and District Attorneys in the

12 next-highest communities based on “injuries per 100 accidents”. Here is the data as it existed in 2003:



In an orderly process, the IFB received full support of the other law enforcement agencies, and opened CIFI offices in each of these communities from 2004 to 2006.

## **RESULTS**

The results of these efforts can be measured in several ways: 1) the number of people charged with insurance fraud as a result of the effort is an indicator that indeed these crimes were being committed; 2) the improvement in the injury to accident ratio after the effort began; 3) the change in the billing practices of “high volume providers” in these communities; and 4) the dollar reduction of claims in these communities vs. the state as a whole.

We examine each of these measures below:

### (1) Number of People Charged with Insurance Fraud

As the task forces were created in each community, word went out to the local public that law enforcement officials and the insurance industry were intent on ridding their communities of fraud. Billboard advertisements spotted the landscape. Televised press conferences and editorial board meetings provided other ways of keeping the story in the news. Insurance companies were instrumental in referring suspected fraudulent claims to the task forces. In short order, scams were uncovered in each of the communities, and individuals were charged with criminal violations. Each time, efforts were made to have the

local newspaper carry the story, and reemphasize the local efforts to rid the system of fraud. Ultimately, this approach contributed to a deterrent effect as fewer staged accidents were coming into the system.

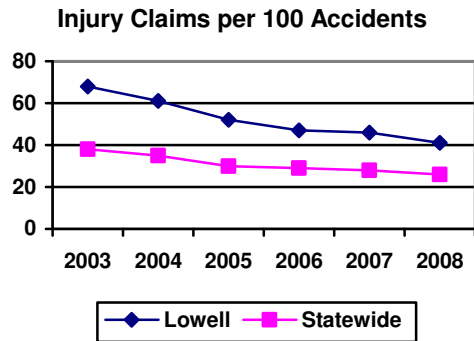
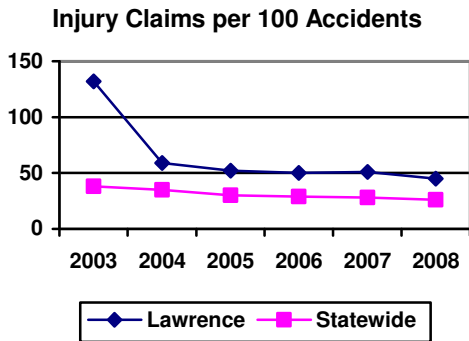
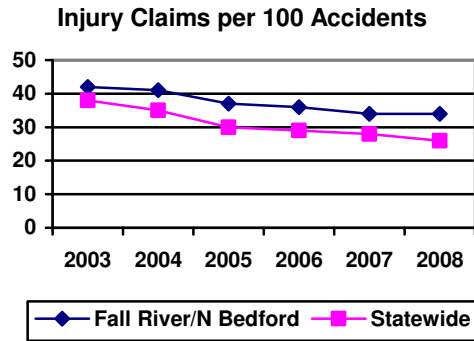
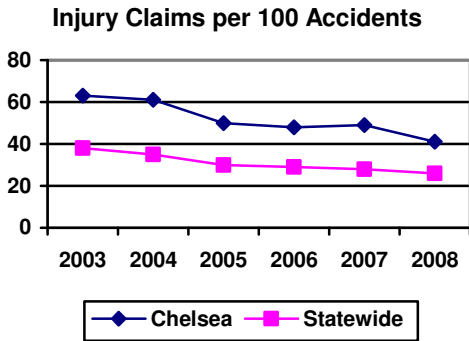
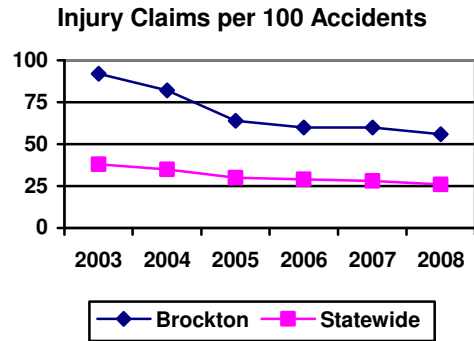
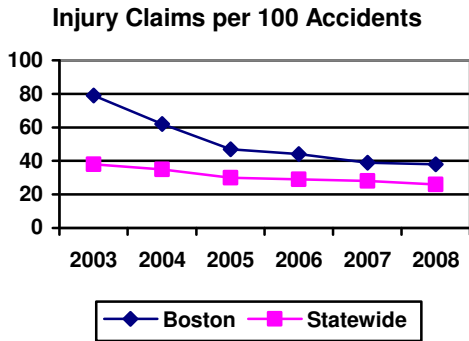
Here are the tallies of individuals charged with insurance fraud and related crimes in each CIFI community. Those charged included ordinary citizens, runners, chiropractors, and attorneys. Many have since been convicted. Others are still awaiting their day in court as their cases wind through the judicial system.

<b>CIFI Community</b>	<b>People Charged</b>
Lawrence	369
Boston	312
Brockton	204
Lynn	99
Springfield/Holyoke	57
Lowell	54
Fall River/New Bedford	28
Chelsea	22
Randolph	18
Worcester	16
Revere	10
<b>Statewide</b>	<b>1,189</b>

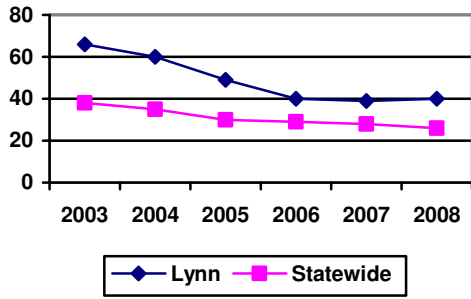
## (2) Improvement in Injury to Accident Ratios

While the pre-CIFI statistics of “injuries per 100 accidents” gave the best clue as to where to set up task force efforts, an obvious way to determine success was to measure whether there was any improvement in that statistic over time. In every CIFI community there has been a reduction in this statistic over the 5 years reviewed, a sure sign that the problem is waning. And because the selected communities are population centers, the reduction in this statistic has had a noticeable effect on the statewide measure as well, dropping from “38 injuries per 100 accidents” in 2003 to now only “26 injuries per 100 accidents” in 2008.

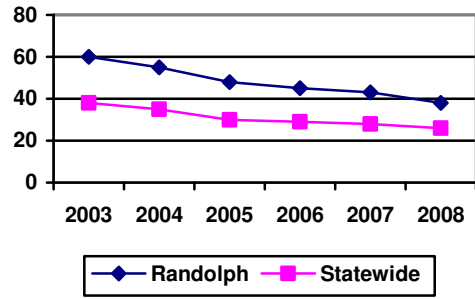
Here are the community specific results:



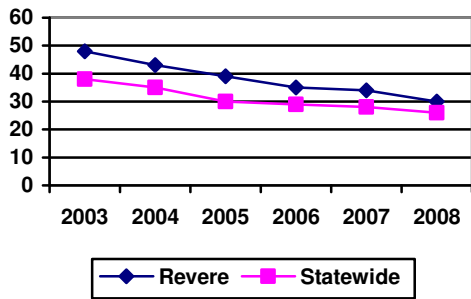
**Injury Claims per 100 Accidents**



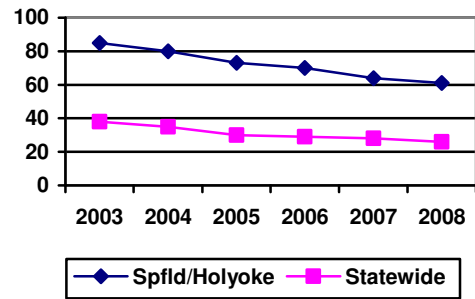
**Injury Claims per 100 Accidents**



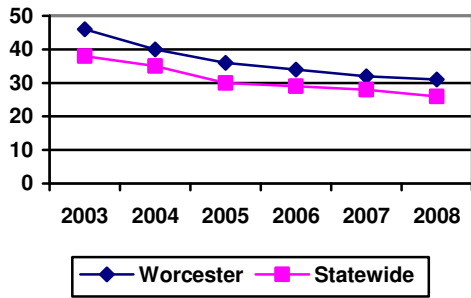
**Injury Claims per 100 Accidents**



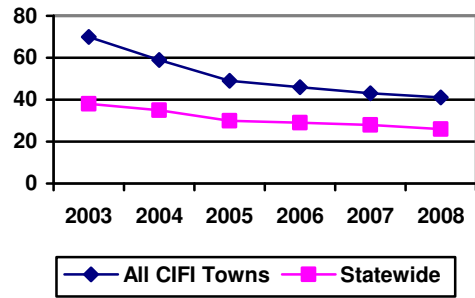
**Injury Claims per 100 Accidents**



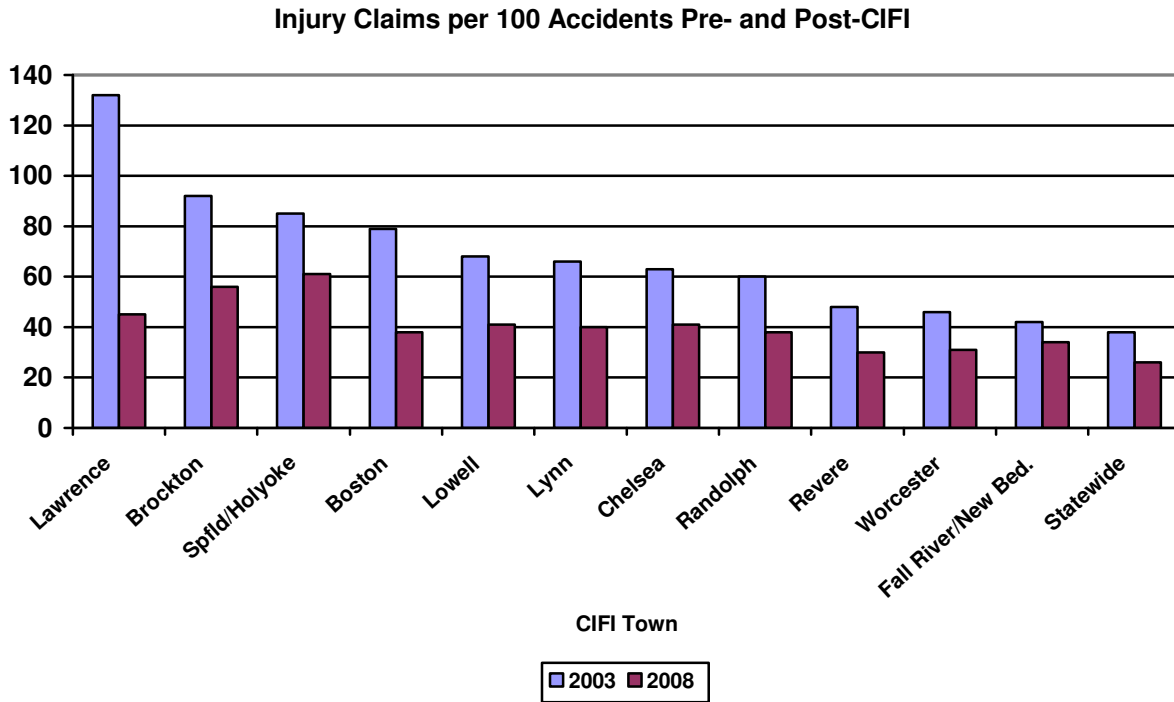
**Injury Claims per 100 Accidents**



**Injury Claims per 100 Accidents**



Comparatively, one can see that each CIFI town has experienced improvement in this key statistic. Collectively, they help drive the improvement in the statewide total.

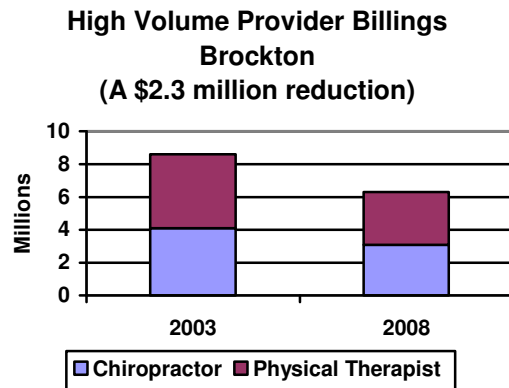
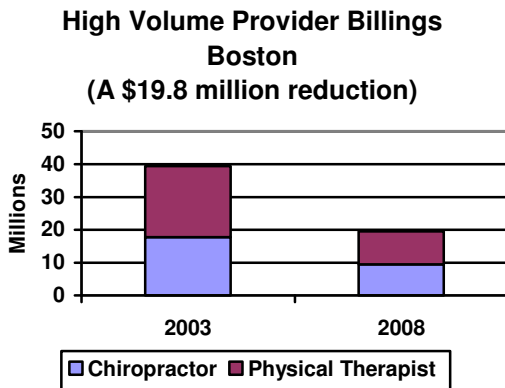


### (3) Change in Billing Practices in CIFI Communities

The AIB maintains a database, known as the Detail Claim Database, or DCD, that tracks all auto injury claims in Massachusetts since 1994. Among other information collected on each claim, the DCD captures the medical providers who were the highest billing providers on each and every claim. This database can then be “mined” to identify outliers from the norm, whose billing patterns suggest unusual practices, or those providers who are “high volume” auto accident billers (typically measured by those billing over \$100,000 per year for services).

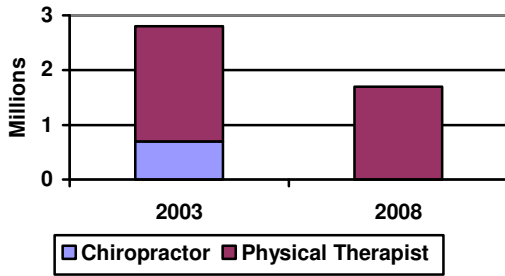
One pattern noticed in Lawrence was that there were an unusually high number of “high volume” chiropractors present during the period before the CIFI task force was formed. As the pattern of staged accident cases in Lawrence unfolded and it became evident that a number of chiropractors were participants in the scheme, several things occurred. Some chiropractors were charged and convicted. Some lost their licenses to practice. Some simply closed their clinics and disappeared. In all, there were 22 high-volume chiropractors or physical therapists in Lawrence before CIFI, and now only 4 remain. And their collective billing plummeted 90 percent.

So we looked at the DCD to see the count of “high volume” providers, comparing 2003 (before CIFI) to current, for any change in the billing pattern from this subset of practitioners. Here’s what we found:

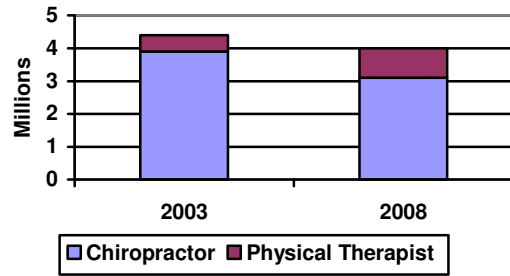




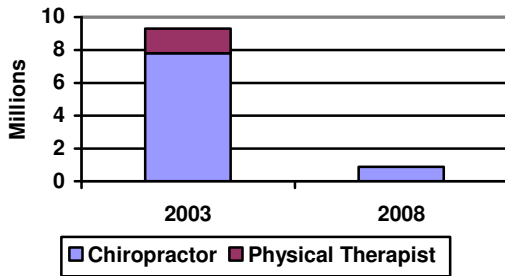
**High Volume Provider Billings  
Chelsea  
(A \$1.1 million reduction)**



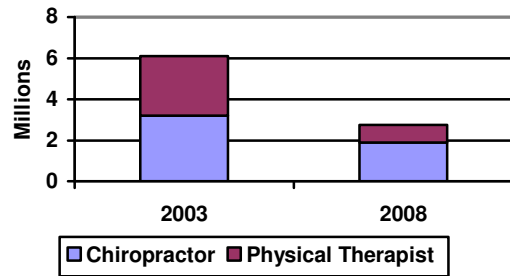
**High Volume Provider Billings  
Fall River/New Bedford  
(A \$0.4 million reduction)**



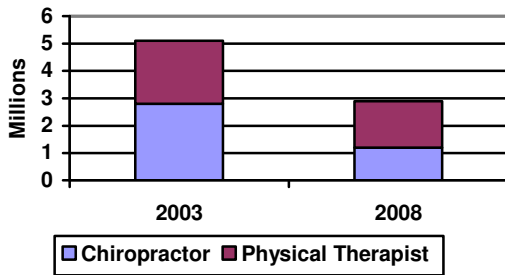
**High Volume Provider Billings  
Lawrence  
(A \$8.2 million reduction)**



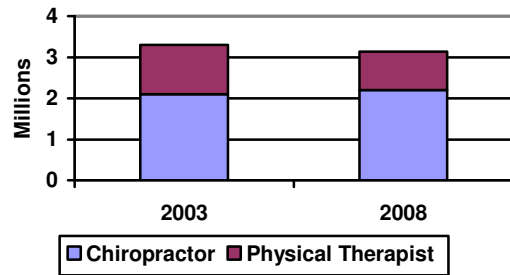
**High Volume Provider Billings  
Lowell  
(A \$3.3 million reduction)**



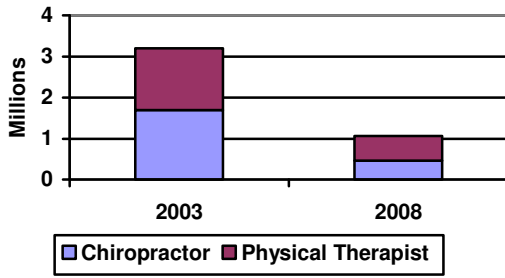
**High Volume Provider Billings  
Lynn  
(A \$2.2 million reduction)**



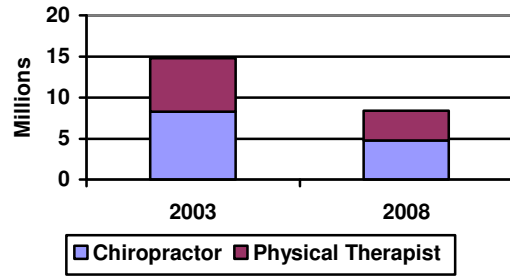
**High Volume Provider Billings  
Randolph  
(A \$0.2 million reduction)**



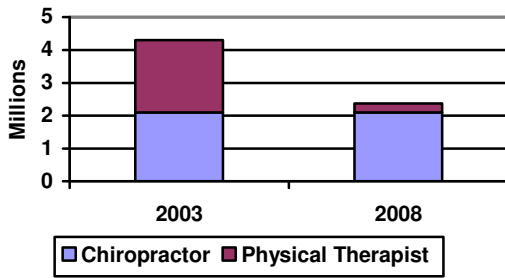
**High Volume Provider Billings  
Revere  
(A \$2.1 million reduction)**



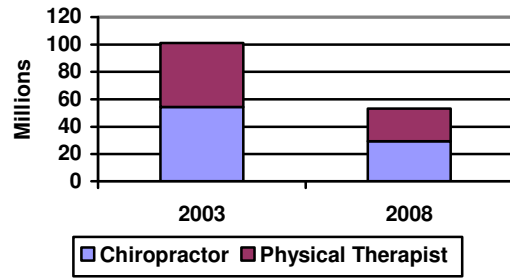
**High Volume Provider Billings  
Springfield/Holyoke  
(A \$6.4 million reduction)**



**High Volume Provider Billings  
Worcester  
(A \$2.0 million reduction)**



**High Volume Provider Billings  
Total CIFI Towns  
(A \$48.0 million reduction)**



(4) Dollar Reductions in Claims

Ultimately, the insurance buying public pays for insurance fraud in the form of higher premiums. Generally speaking, premiums have to be high enough to cover the expense of paying claims. If claims are high, or overly inflated, it drives up premiums. If claims go down, so can premiums. In Lawrence, as fraudulent claims were taken out of the system by the CIFI effort, premiums started to reduce dramatically. Over the past four years, auto owners in Lawrence have saved over \$40 million in premiums. Citizens across the state have likewise seen the beneficial effects of this program, because as claims go down, rates have dropped for four straight years.

<b>CIFI Community</b>	<b>CIFI Savings (millions)</b>
Boston	\$117.9
Lawrence	30.1
Brockton	27.5
Springfield/Holyoke	24.6
Lynn	17.8
Lowell	15.1
Fall River/New Bedford	5.4
Revere	3.7
Worcester	3.7
Chelsea	3.1
Randolph	2.9
<b>Total CIFI</b>	<b>\$251.8</b>
<b>Total State</b>	<b>\$514.0</b>

**CONCLUSION**

The CIFI effort continues in Massachusetts. Several of our CIFI offices have been invited by neighboring communities to assist them in dealing with fraud in their cities, an approach the IFB has embraced enthusiastically. Local law enforcement, seeing the positive results, have asked IFB investigators to participate in training sessions on identifying and investigating insurance fraud for their personnel.

Many of the charges brought against individuals take years to be resolved in the court system, and our investigators remain engaged for the long haul to assist prosecutors during this phase of the process.

While our work is not done, the auto insurance climate in Massachusetts has no doubt improved as a result of this effective program. See more at [www.ifb.org](http://www.ifb.org)

