

THE
State Auto Group

*Your Business
Insurance Specialists*

Risk Control Services

Insurance Fraud Awareness

Property

The information contained in this publication was obtained from sources believed to be reliable. The State Auto Insurance Companies make no representations or guarantee as to the correctness or sufficiency of any information contained herein, nor a guarantee of results based upon the use of this information and disclaims all warranties expressed or implied regarding merchantability, fitness for use and fitness for a particular purpose. State Auto does not warrant that reliance upon this document will prevent accident and losses or satisfy federal, state and local codes, ordinances and regulations. You assume the entire risk as to the use of this information. Further, this document does not amend, or otherwise affect the terms, conditions or coverage of any insurance policy issued by the State Auto Insurance Companies.

Much research has been done about insurance fraud committed in the processing of a claim, qualifying for insurance or creating an artificial insurable interest. Insurance fraud occurs when a person intentionally lies to obtain a benefit or advantage to which he or she is not otherwise entitled. By the same token, fraud also occurs when a person knowingly denies a benefit that is due and to which a person is entitled.

In the processing of a claim, there are phases during which a person could knowingly misrepresent information to the insurance company in order to obtain a benefit. For instance, during the initial investigation phase of an automobile accident, a person could lie about: the type of accident he or she may have been involved in, the circumstances, the hour, the location, the types of damages sustained and the extent of damages sustained, the number of people involved and the number of vehicles involved.

In qualifying for insurance, there are also phases during which a person could knowingly misrepresent information to the insurance company in order to “qualify” for an insurance program or a specific coverage of interest. For instance, during the processing of the application a person could lie about their personal information—age, health, address, telephone number, and Social Security number, date of birth, place of work, previous driving history and previous insurance history.

Creating an insurable interest could also be construed as fraud. Insurable interest exists where there is a legal or equitable relationship between the insured and the object of the insurance such that the insured benefits by the safety or is prejudiced by the loss of that object. It is unlawful for anyone to take out an insurance policy when there is no insurable interest at the time of applying for the policy.

All suspicious claims, though they may have to be paid for lack of conclusive evidence of fraud, should be referred to an SIU—Special Investigations Unit.

The following are general indicators of insurance fraud which may apply to more than one type of fraud scheme; at any given time, multiple forms of fraud may appear in a single claim. For example, in a slip and fall claim there may be indicators or evidence of medical fraud and lost earnings fraud.

This is a review of three phases of insurance fraud that affect the insurance industry and could directly affect you or your business: Workers Compensation, Property and Casualty.

Indicators of **property insurance fraud**

- Claimant is what is referred to as “claim smart” - unusually familiar with insurance terms, claim handling and settlement procedures.
- Claimant is eager and pushy for a quick and reduced settlement, rather than fully documenting the loss.
- Claimant provides only a post office box or hotel address.
- Claimant wishes to conduct all transactions in person; avoids using the telephone or mail.
- Claimant contacts agent to verify coverage or extent of coverage just prior to loss date.
- Claimant is recently separated or divorced.
- Suspiciously coincidental absence of claimant or family at the time of the loss.
- Losses are incompatible with claimant's residence, occupation and/or income.
- Losses occur just after the coverage takes effect, just before it ceases or just after it has been increased.
- Losses include a large amount of cash.
- Commercial losses that primarily involve seasonal inventory or equipment occurring outside of peak season. Example: loss of ski inventory during spring or summer months.

Indicators of arson or fire-related fraud

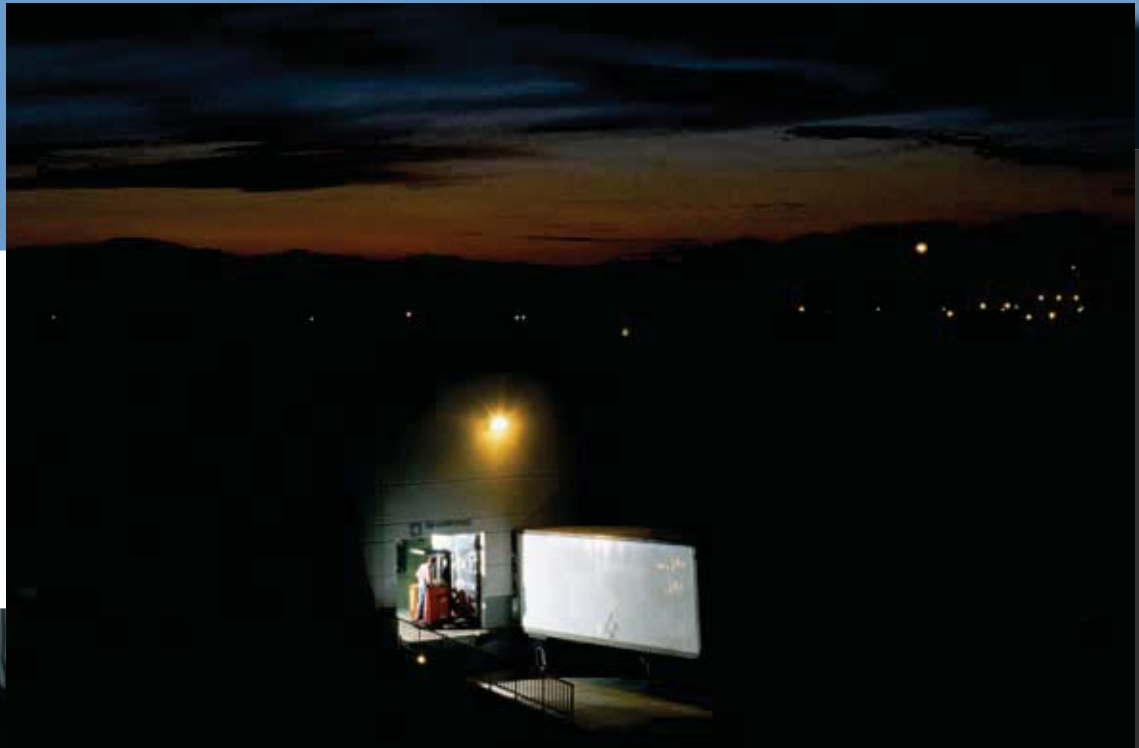
- Building and/or contents were up for sale at the time of the loss.
- Suspicious coincidental absence of family pet at time of fire.
- Claimant had a loss at the same site within the preceding year.
- Building and/or business was recently purchased.
- Commercial losses include old or non-saleable inventory or illegal chemicals or materials.
- A motive exists - the claimant or the business is experiencing financial difficulties.
- Fire site is claimed by multiple owners, landlords, and property management companies.
- Claimant alleges all records were lost in the fire.
- Claimant is not able to provide proof of pre-existing inventory.





Indicators at the fire scene

- Building is in deteriorating condition and/or located in a deteriorating neighborhood.
- Fire scene investigation suggests that property/contents were heavily over-insured and there is absence of remains of expensive items to justify increase in coverage.
- Fire scene investigation reveals absence of remains of non-combustible and scheduled items, i.e., gun collections, jewelry, and safe box and there is absence of sentimental value items, i.e., Bible, photos, trophies, etc.
- Fire scene investigation reveals absence of remains of items normally found in a home or business, and which are normally identifiable after a fire.



Indicators associated with the actual loss

- Fire occurs at night, especially after 11:00 p.m.
- Commercial fire occurs during a holiday, weekend or when business is closed.
- Fire department reports fire cause is incendiary, suspicious or unknown.
- Fire alarm and/or sprinkler system failed to work at the time of the loss.

Indicators of burglary/theft fraud

- Losses are questionable – home stereo stolen out of car, laptops, camcorders, fur coats, etc.
- Losses include total contents of business/home including items of little or no value.
- Losses include numerous appraised items and/or items of scheduled property.
- Extensive commercial losses occur at the site where few or no security measures are in effect.
- No police report or an over-the-counter report is done when normally the police would investigate.
- Other members of the family have no knowledge and direct all communication to named insured.

Indicators associated with the claims process

- Claimant over-documents losses with a receipt for every loss and/or receipts for older items of property.
- Claimant's loss inventory differs significantly from police department's crime report.
- Claimant can't provide receipts, cancelled checks or other proof of ownership for recently purchased items.
- Claimant provides receipts for inexpensive items but no receipts of items of significant value.
- Claimant provides receipts with incorrect or no sales tax figures.
- Claimant provides receipts with no store logo (blank receipts).
- Loss inventory indicates unusually high number of recent purchases.
- Claimant cannot recall place and/or date of purchased items of significant value.
- Claimant indicates distress over prospect of an examination under oath.
- Claimant cannot provide bank or credit card records for recent purchases of significant value.
- Claimant provides receipts/invoices from same suppliers that are numbered in sequence.
- Claimant provides different receipts/invoices with same handwriting or typeface.
- Claimant provides credit card receipts with incorrect or no approval code.



THE State Auto Group

Corporate Headquarters Address:

518 E. Broad Street, Columbus, Ohio 43215

Middle Market Insurance Office Address:

580 N. Fourth Street, Fifth Floor, Columbus, Ohio 43215

Phone: (614) 464-5000