



# Kansas Insurance Department

## Sandy Praeger, Commissioner of Insurance

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## **Commissioner's Corner**

### **May 2009**

*By Sandy Praeger*  
*Commissioner of Insurance*

## **Increased fraud activity mirrors economic times**

TOPEKA, Kan. — It's called "opportunistic fraud."

As our economy continues its struggle to rebound, the number of possible cases of insurance fraud has increased, according to a new report from the National Insurance Crime Bureau (NICB).

The bureau's quarterly report, which uses claims information from more than 1,000 insurance companies, shows a definite increase in fraudulent activity nationwide.

The numbers hit home. Our Anti-Fraud Division at the Kansas Insurance Department (KID) certainly has a heavy caseload of potential insurance fraud to investigate.

Severe weather, economic conditions, even the new H1N1 flu epidemic have been motivators for unscrupulous people to take advantage of situations and defraud consumers and insurance companies. Current scams are in addition to the estimated \$80 billion that is stolen annually through insurance fraud, according to the Coalition Against Insurance Fraud.

Some of the current scams making the circuit include the following:

- Postcards or phone calls, which appear to come from a car manufacturer or dealer, selling an extended "warranty" or service contract. These are most often from third-party companies who don't know when your car's factory warranty expires.

-More-

- Calls from a “National Health Plan” that is selling less-than-desirable health coverage. This is based on the consumer’s hearsay knowledge of what current national health reform initiatives are being explored.
- Auto giveups or arson fraud, especially in larger states. Owners take their cars to a remote location, set them on fire, return home and call for an insurance claim on their “stolen” vehicle. Then, they pay off the car loan with claim money.
- Increased reports of lost, stolen or missing items of jewelry and other costly personal assets.
- Agents taking personal checks intended to go to insurance companies or embezzling them into their own accounts. The number of these cases is small compared to the number of agents, but the fraudulent activity has increased.
- Significant upward trends in medical identity theft and provider fraud, according to the NICB. Treatments that an insured consumer hasn’t received are being billed by stealing a person’s medical history without his or her knowledge.

Dennis Jay, the executive director of the Coalition Against Insurance Fraud, said, in a recent news story, “The poor economy may be driving normally good people to do bad things. Hardcore insurance criminals also have more opportunity to entice normally honest people into their fraudulent schemes.”

According to Ted Clark, director of KID’s Anti-Fraud Division, if insurance fraud were a business, it would be a Fortune 500 company in terms of national gross revenue. Because of that, researchers estimate that every U.S. household pays \$200-\$300 per year in higher insurance premiums in order to offset fraudulent claims.

Our Anti-Fraud Division takes referrals and investigates cases regarding fraud from many sources, including law enforcement agencies, insurance companies and consumer complaints. Unfortunately, they are busier than I wish they had to be. But we are always willing to take a call, check it out, and, if it isn’t insurance fraud, we involve appropriate law enforcement agencies. If it appears to be insurance fraud, we jump on it. That’s part of the consumer protection mission we have at the department.

If you believe you have been a victim of insurance fraud, or if you are aware of an instance of suspected fraud, contact our Consumer Assistance Hotline, 800-432-2484. Our consumer representatives can take your initial information and pass it on to our anti-fraud and legal staff members.

You can also report suspected fraud on our Web site as well, under the “File a Complaint” area of the “Quick Links” box on our home page.

Don’t let anybody tell you that it’s OK to commit insurance fraud. It’s illegal, costly and could land you in jail.