

# Fraud Detection & Prevention

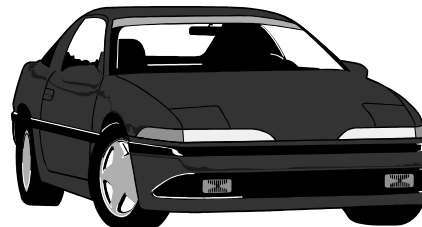
Presented by

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FLMI, AIRC, AIAA, ACS

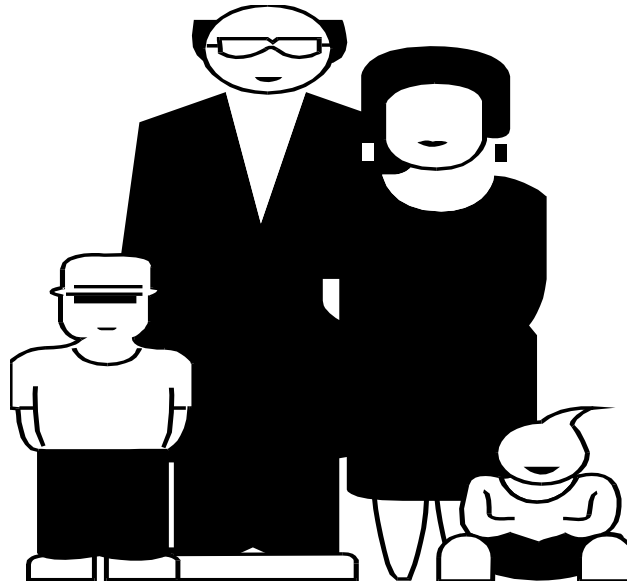
# Where Does Fraud Occur

- P & C - \$20 Billion
- Health - Majority of Fraudulent Claims
- Life - Fastest Growing Segment of Industry



# COST OF INSURANCE FRAUD- 1996

- Fraud Costs the Average American Family \$966.14 per Year



# COST OF INSURANCE

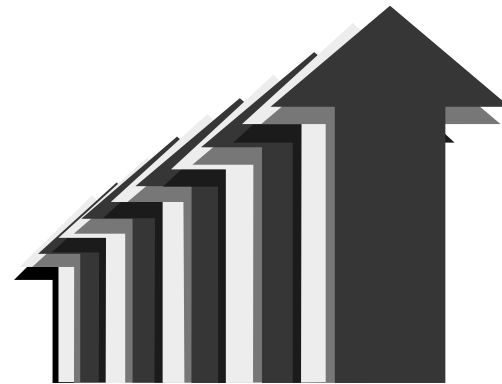
## FRAUD - 2000

- In 2000
  - Fraud Costs the Average American Family \$966.14 per Year



# COST OF INSURANCE FRAUD - 2005

- In 2005
  - Fraud Costs the Average American Family \$966.14 per Year

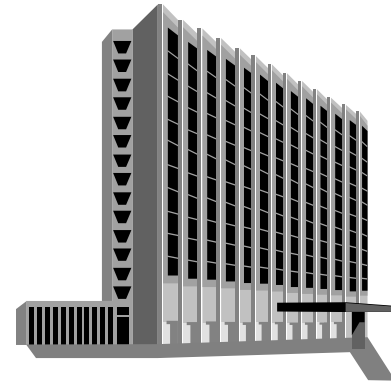


# Why Fraud Occurs

- Victimless Crime



- Big Company



- “Everyone Else Does It”

# Industry Responsibility

- Don't Know the Insured
- Field Underwriting
- Business Practices



# Customer Fraud

- Application
- Death Claims
- Suicide
- Waivers
- LTC/Disability
- False Insured/Medical Test

# Agent Fraud

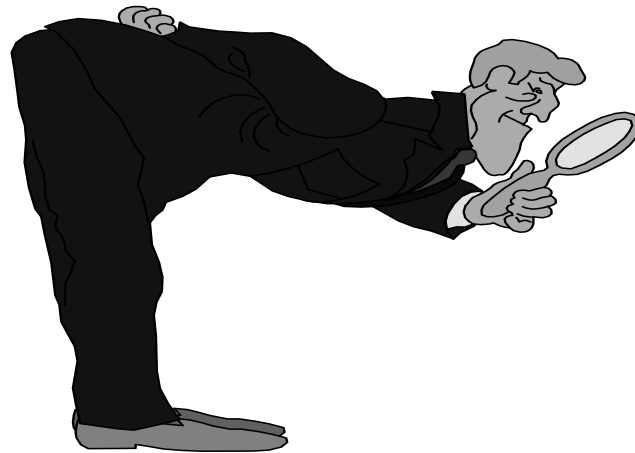
- Cash Payments
- Fake Applications
- Misleading Practices
- Forgery
  - With Intent
  - Without Intent

# Home Office Fraud

- Embezzlement
- Collusion
  - With an Agent
  - With a Customer

# Identify and Prevent Fraud

- RED FLAGS
- Notify the Special Investigative Unit
- State Requirements

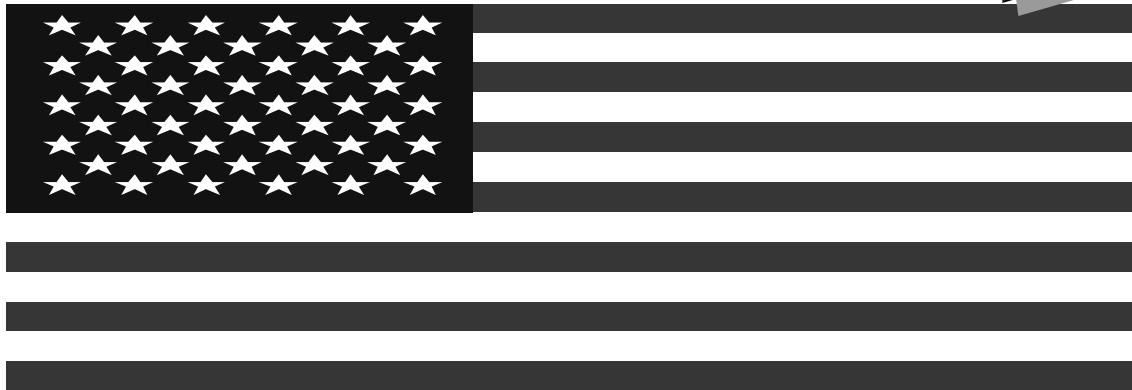
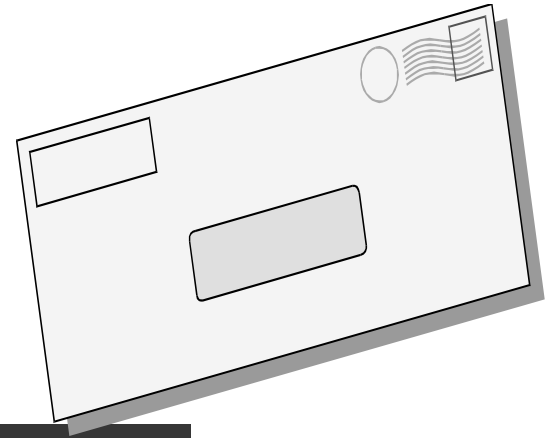


# Identify and Prevent Fraud

- Client File Documentation
  - Phone Log
  - Transcribe Each Meeting
  - Application
  - Advertising/Illustrations
  - Sales Tools Used
- Follow-up With Customer
- Report Any Discrepancy

# Federal Fraud Concerns

- RICO & Mail Fraud
- Social Security
- Internal Revenue Service
- 1994 Crime Act



# 1994 Crime Act

- Company Solvency
- Right to Investigate Schemes and Acts Deemed Dangerous to the Public's Safety
- Guidelines on Who May Work in the Insurance Industry

# 1994 Crime Act

- Prohibited Individuals
  - Convicted Felon
  - Breach of Trust Crime
  - Working in any Position Where Could Endanger the Public
- No Grandfather Clause
- Diligent (Continual) Effort to Discover

# 1994 Crime Act

- Potential Penalty  
Levied Against Any Individual Who  
Should Have Reasonably Known of  
Violation
- Jail time &/OR Up To \$50,000 per Action
- Counts Against 3 Strike Rule