STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
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10/31/2011

Senator Rodney Whittemore
Representative Wesley Richardson
Joint Standing Committee on Insurance and Financial Services
100 State House Station
Augusta, ME 04333

Re: Report of Fraudulent Insurance Acts for Calendar Year 2010

Dear Senator Whittemore, Representative Richardson, and members of the Committee:

This letter and accompanying information constitutes the Bureau's Annual Report on Insurance Fraud to the Joint Standing Committee on Insurance and Financial Services. The data contained in this Report is based upon annual survey information which insurers are required to report to the Bureau pursuant to 24-A M.R.S.A. §2186 and Maine Insurance Rule Chapter 920.

The first table in this report presents aggregate information about suspected fraudulent claims for the five-year period from 2006 through 2010. The number reported in 2010 represents nearly a two percent decrease from 2009. The Automobile insurance line of business has consistently had the highest number of reported suspected fraudulent claims. The Health insurance and Workers' Compensation insurance lines reported increases in 2010. Despite the decrease in the overall numbers of reported suspected fraudulent claims, there was a substantial increase in the amount of money insurers did not pay out for cases where fraudulent insurance acts were suspected, rising from $6,352,899 in 2009 to $8,778,860 in 2010.

The other tables in this report provide aggregate data by type of insurance where claimants; legal providers; medical providers or others may have engaged in fraudulent activity; where acts were reported or referred to law enforcement agencies; and of the amount of money not paid out on suspected fraudulent acts. Reported acts include faking property damage, inflating financial loss, faking or exaggerating injury, having a history of prior suspect claims and providing false information on insurance applications. The Bureau of Insurance will

continue to collect information on suspected fraudulent insurance acts in an effort to better understand the extent of insurance fraud and abuse in Maine. If you have any questions concerning this report, do not hesitate to contact me.

Respectfully submitted,

Eric Cioppa
Superintendent

cc: Members of Insurance and Financial Services Committee; Anne L. Head, Commissioner; Colleen McCarthy Reid, Policy Analyst

Maine Fraud and Abuse Annual Report

Five Year Summary

Table 1 shows the number of suspected fraudulent claims reported by line of insurance for the most recent five-year period. The total number of suspected fraudulent claims decreased from 1,740 in 2009 to 1,709 in 2010. This decrease was due to a lower number of reported claims for Automobile insurance and Property insurance. There was a significant increase in the reported number of Health insurance claims. The Other Lines category is used for such lines of insurance as Disability, Mortgage Guaranty, Fidelity and Accident and Health.

Table 1 Number of Suspected Fraudulent Claims Reported by Line of Insurance

	2010	**2009**	**2008**	**2007**	**2006**
Automobile	505	708	674	973	1,080
Health	361	141	195	260	333
Workers' Compensation	263	211	276	350	291
Property	255	485	303	280	293
General Liability	56	54	66	109	84
Life	25	27	27	24	25
Inland Marine	6	8	8	7	19
Other Lines	238	106	78	90	98
Total	1,709	1,740	1,627	2,093	2,223

Notes: A claim may not be the same as a case of fraudulent activity as one case may involve more than one claim. For example, an insurer may have reported that one medical provider submitted several claims which were fraudulent.

Table 2 shows increases in the number of suspected fraudulent claims reported for both Personal lines and Commercial lines. Companies did a better job of breaking out the type of insurance in 2010. Personal lines include such things as Personal Auto or Homeowners insurance while Commercial lines include Commercial General Liability, Workers' Compensation, and Mortgage insurance.

Table 2 Number of Suspected Fraudulent Claims Reported by Type of Insurance					
	2010	**2009**	**2008**	**2007**	**2006**
Personal Lines	900	819	939	1,196	1,317
Commercial Lines	789	501	656	764	848

Table 3 shows the number of reported cases where a claimant may have been involved in different types of fraudulent activity. In 2010 the number of reported cases was higher than it was in 2009 in only one category, Faked/Exaggerated Injury. Fewer cases were reported for Faked Property Damage, Inflated Financial Loss and Filing Suspect Claims. The Other category was used for cases involving a variety of acts such as arson, theft, misrepresentations on applications, disappearance of insured jewelry and loss of rent without tenants in the property.

Table 3 Number of Cases of Suspected Fraudulent Insurance Acts Reported Where the Claimant May Have:					
	2010	**2009**	**2008**	**2007**	**2006**
Faked/Exaggerated Injury	401	355	521	423	366
Faked Property Damage	228	286	212	315	309
Inflated Financial Loss	67	112	127	151	155
Staged Accident/Injury	55	55	130	45	75
Been Known to File Suspect Claims—Including Faking, Exaggerating, or Extending Total or Partial Disability	32	102	237	190	138
Other	237	266	232	234	249

Notes: There can be more than one suspected fraudulent insurance act per case. At least two large groups of companies do not track cases by suspected perpetrator/type of fraudulent act. The Bureau is continuing to work with companies to promote uniform reporting of the data.

Table 4 shows that no cases of suspected fraudulent insurance acts committed by legal providers were reported in 2010. The number of reported cases involving legal providers has been low throughout the five-year period.

Table 4 Number of Cases of Suspected Fraudulent Insurance Acts Reported Where the Legal Provider May Have:					
	2010	**2009**	**2008**	**2007**	**2006**
Hired or Paid Cappers/Chasers to Recruit Clients	0	0	3	0	0
Charged Fees Inconsistent with Services Provided	0	1	0	0	0
Other	0	0	0	1	1

Notes: There can be more than one suspected fraudulent insurance act per case. At least two large groups of companies do not track cases by suspected perpetrator/type of fraudulent act. The Bureau is continuing to work with companies to promote uniform reporting of the data.

In 2010, there were a small number of reported cases where a medical provider may have been involved in different types of suspected fraudulent activity. The only two specific categories with reported cases were Billed for Services Not Provided and Upcoded or Billed for Excessive Treatments. The Other category was used for providers billing for services not covered under the policy.

Table 5 Number of Cases of Suspected Fraudulent Insurance Acts Reported Where the Medical Provider May Have:					
	2010	**2009**	**2008**	**2007**	**2006**
Billed for Services Not Provided	9	6	6	2	5
Upcoded or Billed for Excessive Treatments	5	6	8	5	21
Unbundled Services	0	7	1	0	16
Provided an Inaccurate/Incomplete History	0	6	20	1	16
Fabricated Services	0	5	3	0	1
Operated Without a License	0	5	1	1	15
Received Compensation for Referral to Medical or Legal Providers	0	0	0	0	15
Hired or Paid Cappers/Chasers to Recruit Clients	0	0	0	0	0
Other	3	6	6	7	5

Notes: There can be more than one suspected fraudulent insurance act per case. At least two large groups of companies do not track cases by suspected perpetrator/type of fraudulent act. The Bureau is continuing to work with companies to promote uniform reporting of the data.

Table 6 shows the number of reported cases where a person or entity--other than a claimant, medical provider or legal provider--may have been involved in different types of suspected fraudulent activity. The number of cases of a person or entity Providing an Inaccurate/Incomplete History, or Submitting False or Inaccurate Information to Obtain an Insurance Policy or to Reduce Insurance Premium nearly doubled from 2009 to 2010. The Other category was used for first party claims with a suspected intentional act or exaggerated claim, for borrowers or loan originators providing inaccurate information to obtain a mortgage loan which was included in an application for mortgage guaranty insurance, and for possible agent fraud.

Table 6 Number of Cases of Suspected Fraudulent Insurance Acts Reported Where an Other Person or Entity May Have:

	2010	**2009**	**2008**	**2007**	**2006**
Provided an Inaccurate/Incomplete History, or Submitted False or Inaccurate Information to Obtain an Insurance Policy or to Reduce an Insurance Premium	47	25	15	236	389
Charged Inconsistent with Services Provided	2	1	2	1	9
Fabricated Services	2	0	2	0	0
Received/Paid Compensation for Referral	0	1	0	0	0
Other	200	367	14	9	3

Notes: There can be more than one suspected fraudulent insurance act per case. The large reduction from 2007 to 2008 in the 'Provided an Inaccurate/Incomplete History, or Submitted False or Inaccurate Information to Obtain an Insurance Policy or to Reduce an Insurance Premium' category is primarily due to an auto insurer underwriting significantly fewer high hazard policies. At least two large groups of companies do not track cases by suspected perpetrator/type of fraudulent act. The Bureau is continuing to work with companies to promote uniform reporting of the data.

The number of cases of suspected fraudulent acts reported or referred to law enforcement or other agencies decreased by over 29 percent from 2009 to 2010. The reported data indicates that this is the result of decreased referrals to the National Insurance Crime Bureau and to Other Law Enforcement agencies. Other Law Enforcement includes local law enforcement, Sheriff's Office, State Police and the Fire Marshall's Office. Other, Including U.S. Postal Authorities, consists of the Bureau of Insurance and the NAIC online fraud reporting system.

Table 7 Number of Cases of Suspected Fraudulent Insurance Acts Reported/Referred to Law Enforcement and Other Agencies

	2010	2009	2008	2007	2006
National Insurance Crime Bureau	161	226	254	209	126
Other Law Enforcement	24	78	34	44	32
County Attorney's Office	19	5	4	7	8
Workers' Compensation Board Fraud & Abuse Unit	15	11	23	36	22
Other, Including U.S. Postal Authorities	11	10	10	3	7
U.S. Attorney's Office	4	2	15	1	5
Totals	234	332	340	300	200

Notes: These totals will not match the total number of reported fraudulent insurance acts because not every act is referred to a law enforcement agency.

Table 8 shows the amount of money that was not paid out on cases of suspected fraudulent insurance acts. This represents money that would have been paid had the fraud not been detected. The amount of money not paid on suspected fraudulent acts increased by 38 percent from 2009 to 2010. Five companies reported $500,000 or more in amounts not paid on cases of suspected fraudulent insurance acts, and those five companies combined for 55 percent of the total.

Table 8 Amount of Money NOT Paid on Cases of Suspected Fraudulent Insurance Acts

2010	2009	2008	2007	2006
$8,778,860	$6,352,899	$9,731,510	$7,956,277	$5,666,380

Notes: Two insurance groups reported suspected cases of fraudulent activity but do not track and report the amount of money not paid on those cases. The Bureau is continuing to work with companies to promote uniform reporting of the data.