

Insurance-Related Crime

Insurance Fraud

Property/casualty fraud totals an estimated \$30 billion, or about 10 percent of claims. Adding other types of insurance to the equation, like health, life and specialty insurance, makes the total cost of fraud almost \$80 billion.

Insurance fraud occurs when people deceive an insurance company or agent to collect money that isn't entitled to them. Insurance fraud perpetrators can be members of complex, organized fraud rings or the next-door neighbor looking for additional income. Examples of fraud include: inflating a claim to get out of paying a deductible or to cover past insurance premiums; orchestrating the destruction of an owned automobile, home or business to collect insurance; exaggerating the extent of a minor injury to collect workers' compensation benefits; and billing insurance companies for medical services that were not rendered.

Insurance fraud is hard to measure because so much goes undetected, and complete research has yet to be done. There is enough evidence, however, to know that fraud is widespread — and expensive.

According to the Coalition Against Insurance Fraud, healthcare fraud alone costs Americans \$54 billion a year. More than one third of people hurt in auto accidents exaggerate their injuries. This adds \$13-\$18 billion to America's annual insurance bill, notes a study by the Rand Institute for Civil Justice.

Many people believe that insurance fraud is a low-risk crime. Insurance cheaters view insurance fraud as a low-risk, high-reward game, and far safer than drug trafficking or armed robbery. For example:

- Six states still don't have specific insurance fraud laws, thus discouraging many prosecutors from tackling tough fraud cases.
- Courts are getting tougher on convicted schemers, but too often jail sentences still are light, with courts often reserving space in overcrowded prisons for people convicted of more-violent crimes.

- Professional societies overseeing doctors and lawyers often are reluctant to discipline peers convicted of insurance fraud.

To combat insurance fraud, insurance companies are increasing efforts to fight fraud by establishing Special Investigative Units (SIU) which train insurance personnel to identify suspicious losses that should be given a closer look.

Top Fraud Cases of 2007

An \$80-billion-a-year crime, insurance fraud has grown more violent and invasive in recent years. Reflecting that trend, this year's Coalition Against Insurance Fraud Hall of Shame compiles most brazen insurance scams.

Timothy Nicholls. Three children died when Nicholls torched his Colorado Springs, Colo. home to steal insurance money so he could escape mounting debt. He owed a motorcycle gang that had supplied him with methamphetamines, and his businesses were struggling. Jay-Jay, Sophia and three-year-old Sierra died of smoke inhalation. Nicholls received life in prison.

Robert D. Wachter. Three Missouri nursing homes run by Robert D. Wachter were hellholes. Residents were denied water, food and sanitation while he billed Medicare and Medicaid for many of the same services. Some residents died from neglect. Wachter received 18 months in federal prison and fines of \$750,000.

Ronald Evano. The self-proclaimed gypsy swallowed broken glass to shake down insurers and business by lying that he found the shards in food and drink he'd consumed. Evano said he wanted the insurance money to provide dowries for his sons. But he won't be dancing at weddings for a while. He's serving 63 months in prison and must cough up more than \$340,000 in restitution.

Source: Coalition Against Insurance Fraud

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The Crime of Arson

One out of every four fires reported in Michigan during 2006 was an arson or suspicious blaze, according to a statewide group formed to combat intentionally-set fires in this state. During 2006, there were 2,912 arson and another 7,809 suspicious fires reported in this state.

In 2006, 37 people died and another 82 individuals were injured in such blazes.

The dollar loss of arson and suspicious fires totaled \$221 million during 2006. These loss figures do not include indirect costs such as medical care, funeral expenses, temporary shelter, business interruption, demolition, fire investigation, prosecution, court proceedings and incarceration. Arson also has a significant impact on what Michigan residents pay for insurance.

Persons who commit arson are from all age groups, occupations and backgrounds. Most arsonists work alone; however, some do work in a group. Arsonists may set fires after careful planning or impulsively. Their methods range from matches to sophisticated chemicals to start the deed.

Motives for committing arson may include:

Profit: Some people who can't meet financial obligations may burn their property to collect

insurance. They also may hire professional torches who sell their service for a fee.

Attention: Some people commit arson to make a point and get support for a cause, to hit a political target or get recognition within a group.

Conceal A Crime: Burglars, murderers and drug addicts may burn a building to destroy evidence of a crime.

Revenge: Rivals, unhappy employees, people who have ended relationships and others who have been cheated may set fires to get even.

Malicious Mischief: Juveniles sometimes set fires out of boredom or as a way to strike back against authority.

One way citizens can help fight this crime is to report it. Since 1975, the Michigan Arson Prevention Committee has administered a statewide tip reward program to help put arsonists where they belong – behind bars. Funded by insurance companies, the program has paid out \$623,100 in rewards since its inception. It has led to the arrest of 1,021 individuals on arson and related charges during that same time.

Arson Control pays up to \$5,000 for information that leads to the arrest and/or conviction of arsonists. Any citizen who has information about an incendiary or suspicious blaze can call 1-800-44-ARSON.

Arson Statistics 2001-2006

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Number of incendiary/ suspicious fires	10,952	12,294	8,474	6,825	6,788	10,721
Dollar Loss (millions)	\$222	\$187	\$147	\$169	\$119	\$221
Average dollar loss per fire	\$20,271	\$15,210	\$17,395	\$24,762	\$17,530	\$20,699

Source: Michigan Bureau of Fire Safety

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Arson by County 2006

	<u>Total #</u> <u>Fires</u>	<u>Arson/</u> <u>Suspicious</u>	<u>% of</u> <u>Total</u>		<u>Total #</u> <u>Fires</u>	<u>Arson/</u> <u>Suspicious</u>	<u>% of</u> <u>Total</u>
Alcona	69	7	10%	Lapeer	145	22	15%
Alger	36	1	12%	Leelanau	30	3	10%
Allegan	278	29	10%	Lenawee	310	41	13%
Alpena	61	7	11%	Livingston	358	57	16%
Antrim	110	5	5%	Luce	9	1	11%
Arenac	67	13	19%	Mackinac	48	1	2%
Baraga	12	1	8%	Macomb	2,073	306	15%
Barry	207	23	11%	Manistee	84	10	12%
Bay	200	19	10%	Marquette	165	24	15%
Benzie	36	5	14%	Mason	116	11	9%
Berrien	683	35	5%	Mecosta	115	13	11%
Branch	153	21	14%	Menominee	88	6	7%
Calhoun	241	26	11%	Midland	123	18	15%
Cass	237	39	16%	Missaukee	36	17	47%
Charlevoix	58	5	9%	Monroe	398	61	15%
Cheboygan	37	5	14%	Montcalm	178	27	15%
Chippewa	94	11	12%	Montmorency	44	5	11%
Clare	170	26	15%	Muskegon	574	87	15%
Clinton	170	15	9%	Newaygo	144	16	11%
Crawford	83	5	6%	Oakland	2,599	301	12%
Delta	96	22	23%	Oceana	119	1	1%
Dickinson	49	4	8%	Ogemaw	104	22	21%
Eaton	312	38	12%	Ontonagon	30	6	20%
Emmet	41	7	17%	Osceola	59	7	12%
Genesee	643	85	13%	Oscoda	47	8	17%
Gladwin	101	13	13%	Otsego	71	24	34%
Gogebic	33	7	21%	Ottawa	438	65	15%
Grand Traverse	268	29	11%	Presque Isle	31	4	13%
Gratiot	187	12	6%	Roscommon	105	25	24%
Hillsdale	149	6	4%	Saginaw	1,053	236	22%
Houghton	114	13	11%	St. Clair	426	74	17%
Huron	85	11	13%	St. Joseph	194	33	17%
Ingham	545	72	13%	Sanilac	61	5	8%
Ionia	213	27	13%	Schoolcraft	30	3	10%
Iosco	82	16	20%	Shiawassee	176	32	18%
Iron	77	11	14%	Tuscola	187	19	10%
Isabella	211	23	11%	Van Buren	245	28	11%
Jackson	455	73	16%	Washtenaw	618	92	15%
Kalamazoo	472	60	13%	Wayne	14,042	7,907	56%
Kalkaska	62	17	27%	Wexford	77	17	22%
Kent	1,851	232	13%				
Keweenaw	18	2	11%	TOTAL	34,858	10,721	31%
Lake	42	8	19%				

Source: Michigan Bureau of Fire Safety

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Auto Theft 2000-2006

<u>Auto Theft</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Number of reported total offenses	52,310	49,248	53,307	49,982	48,064
Number of persons arrested	2,648	2,410	2,406	2,346	4,575

Source: Michigan Department of State Police

Auto Theft

From 2004 to 2005, auto thefts in Michigan declined 4 percent, according to the Michigan State Police. In 2005, 48,064 vehicles were reported stolen in Michigan, compared with 49,982 in 2004.

From 1986 to 2005, Michigan auto thefts declined 33.3 percent and national thefts increased by 1 percent.

Auto theft is covered under the comprehensive section of an auto insurance policy. Theft coverage applies to the loss of the vehicles as well as parts of the car such as air bags. Comprehensive coverage, which is not mandatory, also pays for fire, vandalism and weather-related damage including damage from flooding and earthquakes.

Premium rates for comprehensive insurance are affected by the risk of loss, meaning the likelihood that an insured car will be stolen or damaged and the car's value at the time of the loss. The dollar size of claims has been going up, reflecting the higher value of new cars on the road, the value of the cars that are targets for theft or are damaged and the cost of vehicle bodywork. Vehicle bodywork costs include replacing stolen components. Nationally, more than 75,000 airbags are stolen every year. Thefts of xenon headlights are also a growing problem.

In Michigan, there is a tip reward program, funded by the insurance industry and administered by the Michigan Automobile Insurance Placement Facility, to catch car thieves. Since its inception in 1985, tips to HEAT (Help Eliminate Auto Thefts) have led to the recovery of nearly \$42 million in stolen property and the arrests of nearly 3,000 suspects involved in auto theft rings, chop shops, carjackings, fraudulent car

thefts, among other crimes. Also, HEAT has paid nearly \$2.9 million in rewards over the last 20 years.

Anyone with information on auto theft, carjacking, chop shops and auto insurance fraud in Michigan is encouraged to call the HEAT tip line, 1-800-242-HEAT, to provide a confidential report. HEAT works with Michigan law enforcement agencies to follow up on tips. Tipsters are awarded up to \$1,000 if their tip leads to the arrest and prosecution of a suspected car thief or a person suspected of auto theft-related insurance fraud. Rewards of up to \$10,000 are issued if a tip results in the arrest and binding over for trial of a suspected theft ring or chop shop operators. HEAT rewards up to \$2,000 for information leading to the issuance of a warrant for a carjacking suspect. The HEAT tip line is monitored by the Michigan State Police and funded by Michigan's auto insurance companies.

Most Stolen Vehicles in Michigan - 2006

- 1) 2005 Dodge Ram Pickup
- 2) 1994 Dodge Caravan
- 3) 2000 Dodge Intrepid
- 4) 1997 Ford Taurus
- 5) 2000 Jeep Cherokee/Grand Cherokee
- 6) 1994 Plymouth Voyager
- 7) 2003 Pontiac Grand Am
- 8) 2004 Pontiac Grand Prix
- 9) 2002 Dodge Stratus
- 10) 1989 Chevrolet Caprice

Source: National Insurance Crime Bureau

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Auto Thefts

	<u>2005</u>	<u>2006</u>	<u>% Change</u>		<u>2005</u>	<u>2006</u>	<u>% Change</u>
Alcona	5	6	+20	Lake	11	11	0
Alger	9	2	-77	Lapeer	96	100	+4
Allegan	111	116	+4	Leelanau	2	1	-100
Alpena	19	28	+47	Lenawee	111	104	-6
Antrim	18	16	-11	Livingston	199	193	-3
Arenac	12	25	+108	Luce	6	6	0
Baraga	7	4	-42	Mackinac	12	18	+50
Barry	51	63	+23	Macomb	3,828	4,579	+19
Bay	190	217	+14	Manistee	23	17	-26
Benzie	16	9	-43	Marquette	81	94	+16
Berrien	299	247	-17	Mason	34	33	-2
Branch	62	61	-1	Mecosta	36	67	+86
Calhoun	302	330	+9	Menominee	20	13	-35
Cass	62	83	+33	Midland	60	45	-25
Charlevoix	24	19	-20	Missaukee	14	7	-50
Cheboygan	24	21	-12	Monroe	351	294	-16
Chippewa	50	55	+10	Montcalm	83	95	+14
Clare	49	51	+4	Montmorency	6	3	-50
Clinton	59	81	+37	Muskegon	568	471	-17
Crawford	22	22	0	Newaygo	55	57	+3
Delta	15	10	-33	Oakland	3,769	3,636	-3
Dickinson	13	15	+15	Oceana	27	27	0
Eaton	151	156	+3	Ogemaw	20	18	-10
Emmet	25	14	-44	Ontonagon	7	5	-28
Genesee	2,702	2,581	-4	Osceola	23	33	+43
Gladwin	26	14	-46	Oscoda	16	10	-37
Gogebic	6	1	-83	Otsego	28	32	+14
Grand Traverse	57	70	+22	Ottawa	217	203	-6
Gratiot	26	21	-19	Presque Isle	0	3	+300
Hillsdale	41	41	0	Roscommon	74	55	-25
Houghton	33	22	-33	Saginaw	679	628	-7
Huron	19	17	-10	Sanilac	46	49	+6
Ingham	617	704	+14	Schoolcraft	6	9	+50
Ionia	98	82	-16	Shiawassee	112	86	-23
Iosco	27	40	+48	St. Clair	324	320	-1
Iron	10	23	+130	St. Joseph	63	95	+50
Isabella	58	67	+15	Tuscola	59	68	+15
Jackson	346	296	-14	Van Buren	138	167	+21
Kalamazoo	571	671	+17	Washtenaw	934	793	-15
Kalkaska	18	12	-33	Wayne	28,388	29,597	+4
Kent	1,255	1,308	+4	Wexford	32	44	+37
Keweenaw	1	2	+100				
				TOTAL	48,064	49,709	+3

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Burglary 2000-2006

<u>Burglaries</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Burglary offenses	70,012	67,258	63,425	69,742	75,389
Number of persons arrested	5,959	6,636	6,499	7,390	7,019

Burglary

Burglars won't find your home an "easy mark" if they are forced to work in the light, if they have to take a lot of time breaking in, or if they can't break in without making a lot of noise.

Research shows that if it takes more than four or five minutes to break into a home, the burglar will go elsewhere.

Most insurance companies provide 2 percent to 15 percent discounts for devices that make a home safer—dead-bolt locks, window grates, bars and smoke/fire/burglar alarms.

However, when improving the security of your home, don't exchange security for personal safety. Don't make your home such a fortress that you are unable to escape in case of a fire or other emergency.

Simple security steps

Doors

Make sure you have strong doors. Outside doors should be metal or solid hardwood, and at least 1 3/4 inches thick. Frames must be made of equally strong material, and each door must fit its frame securely. Even the most efficient lock, if it is placed in a weak door, will not keep out a determined burglar.

A peephole or a wide-angle viewer in the door is safer for identifying visitors than a door chain.

Sliding glass doors present a special problem because they are easy to open, but you have these doors, you can find special locks for them.

Locks

Deadbolt locks are best. They usually are locked with a key from the outside and a thumb turn on the inside. The cylinder (where the key is inserted) should be pick-resistant. Ask your hardware dealer for a reputable brand or buy your locks from a locksmith.

Windows

Key locks are available for all types of windows. Double-hung windows can be secured simply by "pinning" the upper and lower frames together with a nail, which can be removed from the inside.

For windows at street level or on fire escapes, consider installing metal accordion gates.

Home security habits

Establish a routine to make certain that doors and windows are locked and alarm systems are turned on.

Avoid giving information to unidentified telephone callers and announcing your personal plans in want ads or public notices (such as giving your address when advertising items for sale).

Notify the police if you see suspicious strangers in your area.

Don't carry house keys on a key ring bearing your home address or leave house keys with your car in a commercial parking lot or with an attendant.

Don't hide your keys in "secret" places outside your home—burglars usually know where to look.

Source: Insurance Information Institute

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Burglaries By County

	<u>2005</u>	<u>2006</u>	<u>% Change</u>		<u>2005</u>	<u>2006</u>	<u>% Change</u>
				Lake	172	127	-26
				Lapeer	243	309	+27
				Leelanau	39	58	+48
				Lenawee	465	363	-21
				Livingston	539	621	+15
				Luce	36	36	0
				Mackinac	96	90	-6
				Macomb	3,205	3,565	+11
				Manistee	108	155	+43
				Marquette	244	273	+11
				Mason	234	253	+8
				Mecosta	316	320	+1
				Menominee	170	166	-2
				Midland	338	271	-19
				Missaukee	114	79	-30
				Monroe	835	864	+3
				Montcalm	495	477	-3
				Montmorency	61	51	-16
				Muskegon	1,404	1,378	-1
				Newaygo	359	287	-20
				Oakland	6,130	6,487	+5
				Oceana	162	158	-2
				Ogemaw	149	204	+36
				Ontonagon	14	15	+7
				Osceola	204	147	-27
				Oscoda	48	66	+37
				Otsego	167	158	-53
				Ottawa	1,054	1,038	-1
				Presque Isle	13	25	+92
				Roscommon	153	242	+58
				Saginaw	2,186	2,348	+7
				Sanilac	198	205	+3
				Schoolcraft	33	47	+42
				Shiawassee	360	338	-6
				St. Clair	891	1,016	+14
				St. Joseph	349	348	-.2
				Tuscola	240	231	-3
				Van Buren	509	603	+18
				Washtenaw	2,307	2,064	-11
				Wayne	21,866	24,381	+11
				Wexford	213	275	+29
				TOTAL	69,742	75,389	+8
Alcona	112	86	-23				
Alger	45	34	-24				
Allegan	376	407	+8				
Alpena	135	157	+16				
Antrim	136	147	+8				
Arenac	81	108	+33				
Baraga	13	24	+84				
Barry	224	285	+27				
Bay	654	661	+1				
Benzie	77	100	+29				
Berrien	896	1,016	+13				
Branch	226	225	-.4				
Calhoun	1,128	1,365	+21				
Cass	310	301	-2				
Charlevoix	84	98	+16				
Cheboygan	117	127	+8				
Chippewa	188	235	+25				
Clare	402	483	+20				
Clinton	185	195	+5				
Crawford	66	85	+28				
Delta	114	89	-21				
Dickinson	63	61	-3				
Eaton	495	377	-23				
Emmet	141	117	-17				
Genesee	5,018	5,573	+11				
Gladwin	129	124	-3				
Gogebic	30	6	-80				
Grand Traverse	276	397	+43				
Gratiot	165	137	-16				
Hillsdale	245	219	-10				
Houghton	114	119	+4				
Huron	133	111	-16				
Ingham	2,037	2,197	+7				
Ionia	256	334	+30				
Iosco	239	271	+13				
Iron	47	47	0				
Isabella	318	324	+1				
Jackson	1,075	993	-7				
Kalamazoo	2,091	2,605	+24				
Kalkaska	203	135	-33				
Kent	4,347	4,850	+11				
Keweenaw	32	25	-21				