

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 Michigan Defrauders 2008-9

A police officer, medical provider, business owner and politician all made the list of the top five insurance defrauders for 2008-9:

1. A 79-year-old Greenville man, James Westra, was convicted in January of burning his "haunted mill" business in 2003. He collected about \$300,000 from his insurance company. He was also linked to three mobile home fires.
2. Isaac Chandler of Alpine Township pled guilty in 2008 to selling counterfeit insurance certificates and using a computer to commit a crime. He is suspected of duping up to 500 people and will spend at least six years in prison.
3. A Former Saginaw Mayor was convicted of insurance fraud in 2008 for setting her 1986 Mercedes-Benz on fire in March 2006 and trying to make a false insurance claim.
4. Trusting patients came to dermatologist Dr. Robert Stokes for advice about skin conditions and many were needlessly treated so the East Grand Rapids skin doctor could receive nearly \$2 million from Medicare and health insurers. He was convicted and will spend 10 ½ years behind bars.
5. A Washtenaw Sheriff Deputy was convicted in 2008 of conspiring with another deputy to commit insurance fraud by falsifying a traffic crash report. Jennifer Reynolds was found guilty and resigned. Christopher Campbell pleaded no contest to an insurance fraud charge.

Source: Michigan Insurance Fraud Awareness Coalition

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The Crime of Arson

One out of every three fires reported in Michigan during 2009 was an arson or suspicious blaze, according to a statewide group formed to combat intentionally-set fires in this state. During 2009, there were 2,714 arson and another 9,053 suspicious fires reported in this state.

The dollar loss of arson and suspicious fires totaled more than \$290 million during 2009. 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 \$682,000 in rewards since its inception. It has led to the arrest of 1,054 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 2003-2009

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2008</u>	<u>2009</u>
Number of incendiary/ suspicious fires	8,474	6,825	6,788	10,721	10,564	11,767
Dollar Loss (millions)	\$147	\$169	\$119	\$221	\$200	\$290
Average dollar loss per fire	\$17,395	\$24,762	\$17,530	\$20,699	\$18,932	\$24,645

Source: Michigan Bureau of Fire Safety (there is no report for 2007)

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Arson by County 2009

<u>County</u>	<u># of Fires</u>	<u>Arson/ Suspicious</u>	<u>% Total</u>			
Alcona	48	17	36%	Lake	58	17 30%
Alger	31	4	13%	Lapeer	182	36 20%
Allegan	268	64	24%	Leelanau	58	7 12%
Alpena	84	30	36%	Lenawee	311	68 22%
Antrim	76	19	25%	Livingston	347	106 31%
Arenac	27	10	37%	Luce		not reported
Baraga	15	3	20%	Mackinac	34	13 39%
Barry	233	46	20%	Macomb	1,663	447 27%
Bay	374	130	35%	Manistee	73	20 28%
Benzie	62	20	33%	Marquette	161	42 26%
Berrien	503	136	27%	Mason	108	18 17%
Branch	203	39	20%	Mecosta	75	16 22%
Calhoun	197	62	32%	Menominee	72	24 34%
Cass	197	34	18%	Midland	217	74 35%
Charlevoix	52	13	25%	Missaukee	51	10 20%
Cheboygan	87	23	27%	Monroe	301	102 34%
Chippewa	95	28	30%	Montcalm	250	66 27%
Clare	162	80	50%	Montmorency	33	10 31%
Clinton	134	21	16%	Muskegon	674	138 21%
Crawford	69	19	28%	Newaygo	105	43 41%
Delta	120	34	29%	Oakland	2,051	497 25%
Dickinson	29	6	21%	Oceana	90	21 24%
Eaton	283	76	27%	Ogemaw	109	43 40%
Emmet	71	19	27%	Ontonagon	19	4 21%
Genesee	789	238	31%	Osceola	119	50 42%
Gladwin	107	27	26%	Oscoda	43	4 10%
Gogebic	49	7	15%	Otsego	89	25 28%
Grand Traverse	273	49	22%	Ottawa	499	110 22%
Gratiot	137	27	20%	Presque Isle	89	11 13%
Hillsdale	205	42	21%	Roscommon	107	31 29%
Houghton	102	25	25%	Saginaw	884	241 28%
Huron	81	18	23%	St. Clair	361	140 39%
Ingham	828	189	23%	St. Joseph	228	83 37%
Ionia	203	76	38%	Sanilac	67	20 30%
Iosco	65	18	28%	Schoolcraft	40	8 20%
Iron	93	29	32%	Shiawassee	109	44 37%
Isabella	190	34	18%	Tuscola	168	46 28%
Jackson	480	104	22%	Van Buren	331	102 31%
Kalamazoo	683	175	26%	Washtenaw	727	193 27%
Kalkaska	53	19	36%	Wayne	11,383	6,515 58%
Kent	1,376	288	21%	Wexford	66	21 32%
Keweenaw	14	3	22%			
				TOTAL	31,500	11,767 38%

Source: Michigan Bureau of Fire Safety

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Auto Theft 2004-2008

<u>Auto Theft</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of reported total offenses	49,982	48,064	48,528	41,502	35,467
Number of persons arrested	2,346	4,575	4,525	3,484	3,060

Source: Michigan Department of State Police

Auto Theft

From 2007 to 2008, auto thefts in Michigan declined 5 percent, according to the Michigan State Police. In 2008, 35,467 vehicles were reported stolen in Michigan, compared with 41,502 in 2007.

From 1986 to 2008, Michigan auto thefts declined 50 percent. Nationally, auto thefts decreased by 21 percent during the same period.

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, to catch car thieves. Since its inception in 1985, tips to HEAT (Help Eliminate Auto Thefts) have led to the recovery of nearly \$51 million in stolen property and the arrests of more than 3,300 suspects involved in auto theft rings, chop shops, carjackings, fraudulent car thefts, among other

crimes. Also, HEAT has paid nearly \$3.5 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 - 2008

- 1996 Dodge Caravan
- 2000 Dodge Intrepid
- 2000 Jeep Cherokee/Grand Cherokee
- 1997 Ford Taurus
- 2005 Dodge Ram Pickup
- 1998 Plymouth Voyager
- 2001 Dodge Stratus
- 1994 Oldsmobile Cutlass
- 2004 Pontiac Grand Prix
- 2006 Dodge Durango

Source: National Insurance Crime Bureau

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Auto Thefts

	<u>2007</u>	<u>2008</u>		<u>2007</u>	<u>2008</u>
Alcona	6	4	Lake	10	11
Alger	3	4	Lapeer	65	57
Allegan	114	102	Leelanau	5	7
Alpena	26	29	Lenawee	43	71
Antrim	17	4	Livingston	119	136
Arenac	16	9	Luce	5	4
Baraga	4	5	Mackinac	18	7
Barry	54	51	Macomb	3,304	3,134
Bay	187	143	Manistee	15	20
Benzie	13	11	Marquette	59	48
Berrien	275	212	Mason	28	21
Branch	49	53	Mecosta	33	36
Calhoun	323	223	Menominee	21	3
Cass	81	86	Midland	46	53
Charlevoix	15	10	Missaukee	12	3
Cheboygan	21	22	Monroe	266	214
Chippewa	38	30	Montcalm	88	48
Clare	13	9	Montmorency	5	10
Clinton	40	40	Muskegon	402	334
Crawford	25	26	Newaygo	62	46
Delta	17	20	Oakland	3,181	2,949
Dickinson	11	2	Oceana	19	19
Eaton	129	84	Ogemaw	25	20
Emmet	27	18	Ontonagon	4	0
Genesee	1,887	1,630	Osceola	20	10
Gladwin	12	17	Oscoda	8	4
Gogebic	0	4	Otsego	20	24
Grand Traverse	61	74	Ottawa	97	136
Gratiot	29	22	Presque Isle	0	3
Hillsdale	39	23	Roscommon	15	32
Houghton	21	25	Saginaw	541	390
Huron	19	10	Sanilac	34	33
Ingham	526	491	Schoolcraft	4	8
Ionia	62	69	Shiawassee	69	62
Iosco	24	18	St. Clair	280	283
Iron	11	6	St. Joseph	92	67
Isabella	61	62	Tuscola	47	44
Jackson	269	236	Van Buren	156	153
Kalamazoo	623	508	Washtenaw	728	617
Kalkaska	32	16	Wayne	25,223	20,950
Kent	1,121	961	Wexford	37	31
Keweenaw	3	0			
			TOTAL	41,510	35,467

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Burglary 2004-2008

<u>Burglaries</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Burglary offenses	63,425	69,742	75,389	73,329	73,193
Number of persons arrested	6,499	7,390	7,019	6,328	5,874

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 if 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>2007</u>	<u>2008</u>		<u>2007</u>	<u>2008</u>
Alcona	81	60	Lapeer	333	236
Alger	37	40	Leelanau	53	48
Allegan	533	365	Lenawee	429	323
Alpena	141	121	Livingston	541	470
Antrim	112	22	Luce	42	81
Arenac	106	66	Mackinac	103	82
Baraga	29	43	Macomb	3,848	3,794
Barry	262	246	Manistee	122	114
Bay	626	624	Marquette	321	324
Benzie	64	73	Mason	216	147
Berrien	1,142	1,030	Mecosta	238	251
Branch	235	144	Menominee	147	76
Calhoun	1,566	1,570	Midland	291	183
Cass	436	361	Missaukee	49	15
Charlevoix	72	73	Monroe	806	941
Cheboygan	118	146	Montcalm	410	340
Chippewa	255	168	Montmorency	44	41
Clare	254	117	Muskegon	1,309	1,278
Clinton	250	164	Newaygo	359	319
Crawford	135	73	Oakland	6,182	6,035
Delta	202	186	Oceana	146	166
Dickinson	83	29	Ogemaw	195	173
Eaton	499	371	Ontonagon	20	11
Emmet	107	104	Osceola	171	147
Genesee	5,851	5,397	Oscoda	98	55
Gladwin	108	94	Otsego	117	150
Gogebic	8	7	Ottawa	1,165	939
Grand Traverse	345	273	Presque Isle	30	12
Gratiot	150	141	Roscommon	194	112
Hillsdale	213	179	Saginaw	2,794	2,475
Houghton	135	60	Sanilac	189	180
Huron	144	150	Schoolcraft	35	44
Ingham	2,264	2,383	Shiawassee	315	322
Ionia	387	279	St. Clair	1,055	1,094
Iosco	229	210	St. Joseph	343	391
Iron	59	48	Tuscola	290	242
Isabella	416	388	Van Buren	640	504
Jackson	1,003	973	Washtenaw	2,238	2,358
Kalamazoo	2,489	2,439	Wayne	24,947	24,911
Kalkaska	114	129	Wexford	177	175
Kent	5,061	4,360			
Keweenaw	20	7	TOTAL	77,510	73,436
Lake	167	164			