

# 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 \$96 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 2006

**Carla Patterson.** The Newport News, Virginia woman said she found a dead mouse in her vegetable soup at a Cracker Barrel restaurant. She demanded \$500,000 in insurance money, but Cracker Barrel discovered the rodent had no soup in its lungs, and hadn't been cooked. Customers harassed Cracker Barrel employees, and one worker lost her home when business declined. Patterson received a year in prison.

**Dr. Jorge Martinez.** Ohio pain management specialist Dr. Jorge Martinez threatened to deny desperate patients painkillers unless they let him use their names to bill insurance companies more than \$60 million in narcotic drugs and expensive diagnostic tests he never gave. Some patients grew addicted, and two died of overdoses. Martinez also fraudulently billed insurers for more than 100 patients a day for years. He received life in federal prison.

**Tramesha Lashon Fox.** The Houston high school chemistry teacher wanted to unload her Chevy Malibu because she was tired of the monthly payments. She gave passing grades to two failing students for "stealing" and torching her car so she could collect insurance money. Fox received 90 days in jail and lost her job.

**Marc Thompson.** Deeply in debt from lavish living, the former Chicago grain futures executive torched his home for \$730,000 in insurance money. He let his 90-year-old mother Carmen die in the basement to make it seem she had set the fire as a suicide. He received 190 years in federal prison.  
*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 2000-2005

	<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/ Suspicious</u>	<u>% of Total</u>
Alcona	69	7	10%
Alger	36	1	12%
Allegan	278	29	10%
Alpena	61	7	11%
Antrim	110	5	5%
Arenac	67	13	19%
Baraga	12	1	8%
Barry	207	23	11%
Bay	200	19	10%
Benzie	36	5	14%
Berrien	683	35	5%
Branch	153	21	14%
Calhoun	241	26	11%
Cass	237	39	16%
Charlevoix	58	5	9%
Cheboygan	37	5	14%
Chippewa	94	11	12%
Clare	170	26	15%
Clinton	170	15	9%
Crawford	83	5	6%
Delta	96	22	23%
Dickinson	49	4	8%
Eaton	312	38	12%
Emmet	41	7	17%
Genesee	643	85	13%
Gladwin	101	13	13%
Gogebic	33	7	21%
Grand Traverse	268	29	11%
Gratiot	187	12	6%
Hillsdale	149	6	4%
Houghton	114	13	11%
Huron	85	11	13%
Ingham	545	72	13%
Ionia	213	27	13%
Iosco	82	16	20%
Iron	77	11	14%
Isabella	211	23	11%
Jackson	455	73	16%
Kalamazoo	472	60	13%
Kalkaska	62	17	27%
Kent	1,851	232	13%
Keweenaw	18	2	11%
Lake	42	8	19%

Lapeer	145	22	15%
Leelanau	30	3	10%
Lenawee	310	41	13%
Livingston	358	57	16%
Luce	9	1	11%
Mackinac	48	1	2%
Macomb	2,073	306	15%
Manistee	84	10	12%
Marquette	165	24	15%
Mason	116	11	9%
Mecosta	115	13	11%
Menominee	88	6	7%
Midland	123	18	15%
Missaukee	36	17	47%
Monroe	398	61	15%
Montcalm	178	27	15%
Montmorency	44	5	11%
Muskegon	574	87	15%
Newaygo	144	16	11%
Oakland	2,599	301	12%
Oceana	119	1	1%
Ogemaw	104	22	21%
Ontonagon	30	6	20%
Osceola	59	7	12%
Oscoda	47	8	17%
Otsego	71	24	34%
Ottawa	438	65	15%
Presque Isle	31	4	13%
Roscommon	105	25	24%
Saginaw	1,053	236	22%
St. Clair	426	74	17%
St. Joseph	194	33	17%
Sanilac	61	5	8%
Schoolcraft	30	3	10%
Shiawassee	176	32	18%
Tuscola	187	19	10%
Van Buren	245	28	11%
Washtenaw	618	92	15%
Wayne	14,042	7,907	56%
Wexford	77	17	22%
<b>TOTAL</b>	<b>34,858</b>	<b>10,721</b>	<b>31%</b>

Source: Michigan Bureau of Fire Safety

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## Auto Theft 2000-2005

<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 - 2005

- 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>2004</u>	<u>% Change</u>		<u>2005</u>	<u>2004</u>	<u>% Change</u>
				Lake	11	10	+10
				Lapeer	96	89	+7
				Leelanau	2	11	-81
				Lenawee	111	108	+2
				Livingston	199	185	+7
				Luce	6	10	-40
				Mackinac	12	13	-7
				Macomb	3,828	3,342	+14
				Manistee	23	26	-11
				Marquette	81	68	+19
				Mason	34	20	+70
				Mecosta	36	60	-40
				Menominee	20	14	+42
				Midland	60	46	+30
				Missaukee	14	12	+16
				Monroe	351	281	+24
				Montcalm	83	97	-14
				Montmorency	6	11	-45
				Muskegon	568	664	-14
				Newaygo	55	88	-37
				Oakland	3,769	3,419	+10
				Oceana	27	21	+28
				Ogemaw	20	18	+11
				Ontonagon	7	7	0
				Osceola	23	24	-4
				Oscoda	16	10	+60
				Otsego	28	31	-9
				Ottawa	217	217	0
				Presque Isle	0	6	-100
				Roscommon	74	54	+37
				Saginaw	679	615	+10
				Sanilac	46	29	+58
				Schoolcraft	6	9	-33
				Shiawassee	112	80	+40
				St. Clair	324	276	+17
				St. Joseph	63	94	-32
				Tuscola	59	43	+37
				Van Buren	138	257	-46
				Washtenaw	934	1,011	-7
				Wayne	28,388	31,005	-8
				Wexford	32	33	-3
				<b>TOTAL</b>	<b>48,064</b>	<b>49,982</b>	<b>-4</b>
Alcona	5	6	-16				
Alger	9	15	-40				
Allegan	111	93	+19				
Alpena	19	17	+11				
Antrim	18	22	-18				
Arenac	12	18	-33				
Baraga	7	5	+40				
Barry	51	61	-16				
Bay	190	208	8				
Benzie	16	20	-20				
Berrien	299	320	-6				
Branch	62	55	+12				
Calhoun	302	333	-9				
Cass	62	62	0				
Charlevoix	24	13	+84				
Cheboygan	24	37	-35				
Chippewa	50	51	-1				
Clare	49	62	-20				
Clinton	59	52	+13				
Crawford	22	26	-15				
Delta	15	15	0				
Dickinson	13	20	-35				
Eaton	151	131	+15				
Emmet	25	20	+25				
Genesee	2,702	2,677	+9				
Gladwin	26	25	+4				
Gogebic	6	5	+20				
Grand Traverse	57	68	-16				
Gratiot	26	26	0				
Hillsdale	41	54	-24				
Houghton	33	27	+22				
Huron	19	15	+26				
Ingham	617	660	-6				
Ionia	98	70	+40				
Iosco	27	32	-15				
Iron	10	11	-9				
Isabella	58	83	-30				
Jackson	346	304	+13				
Kalamazoo	571	558	+2				
Kalkaska	18	9	+100				
Kent	1,255	1,279	-1				
Keweenaw	1	3	-66				

Source: Michigan Department of State Police