WHAT DISASTER LEADERS NEED TO KNOW ABOUT INSURANCE FRAUD

Matthew J. Smith, Esq.
Director of Government Affairs & General Counsel

What is the cost of insurance fraud?

HOW MUCH IS $80,000,000,000.00?

Who pays for fraud?

80 billion one dollar bills would stretch to the moon and back 16 times.

Who pays for fraud?

Fund ALL federal cancer research for the next 16 years.

And it starts over at ZERO every year!
Natural disasters and insurance fraud...

2017 = $306 Billion - NOAA

2018 = $220 Billion - NOAA estimate

Preliminary estimates for 2018:
global insured losses fourth highest on record

Swiss Re

• Total economic losses from natural and man-made disasters in 2018 are estimated to be USD 155 billion, down from USD 350 billion in 2017.

Do the math... conservatively 10% of all insurance claims involve fraud.

2017 = $306 Billion
2018 = $220 Billion

$52.6 Billion = $526 Billion

INSURANCE FRAUD
Have we grown immune to fraud?

It’s Just Cultural...

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It’s Just Cultural...

It’s Inevitable...

It Will Never Go Away...
ALL ARE TRUE!

So... Why not just give up?

We all pay for fraud... if we do nothing.

What are common frauds with natural disasters?

- Contractor/Vendor Fraud
- Price Gouging
- Inflated & False Claims
- Charitable Scams

#1: Contractor & Vendor Fraud
When disaster strikes...fraudsters are not far behind.

SCAM ALERT
STORM CHASING

Roofing, Siding & Downspout Contractors

How it works...

The scam...

Good local contractors book-up quickly.
Scammers promise to do work promptly.
Request high "down payments" or "advances" for supplies.
Start work briefly, or not at all.

and then...

Get out of town...

Repeat offenders...and all in the family.
Fraud extends beyond the disaster zone.

More than 1 million cars were flood damaged in Hurricane Harvey alone.

Fighting back & protecting consumers.

JIMMY PATRONIS
Florida Chief Financial Officer

STATE LEGISLATION:
• Mandatory or voluntary registration
• Background checks
• Consumer database
• Multi-state task forces.

Fighting back...

WATCH OUT FOR ROOFING STORM CHASERS

# 2: Price Gouging & Opportunity Fraud

Profiting from another’s harm...

Regular $889.9
Plus $939.9
Premium $989.9

Profiting from another’s harm...
Profiting from another’s harm...

Price gouging laws.

35 states have criminal laws prohibiting post-disaster price gouging.

Warning consumers

NATIONAL CENTER FOR DISASTER FRAUD
Established 2005 - post-Katrina

More than 600 accused of Katrina fraud...

A mother mourns 2 young daughters swept to their deaths. Tragic and terrifying...it’s also a lie.

A woman applies for disaster aid - 28 claims at addresses in four states...all a sham.

Insurance claim

# 3: Inflated & False Claims
Claim inflation.
Seeking more than you lost...

Public adjusters can play a vital role.

With proper regulatory oversight.

Some POTENTIAL fraud may start before the storm...

FRAUD ALERT

Forgey & Theft.
- Insurance or assistance checks
- FEMA applications
- Building Permits

Pay in advance services.
$9.95 every month
Fighting back...

- Fraud warning requirements and education
- Public adjuster licensing
- Anti-solicitation laws (runners and cappers)
- Anti-fraud training for DOI officials and response teams

and...

Fraud in “whole” or in “part” laws.

It is not a one-way “street”...

U.S Supreme Court rules against State Farm finding fraud in Katrina claims.

# 4: Fraudulent Charitable Solicitations

Preying on the vulnerable...
In person solicitations.

Fake websites.

After Hurricane Katrina the FBI investigated more than 15 fake American Red Cross websites.

And they start before the storm.

“Even before landfall, internet fraud experts saw scammers registering dozens of websites with Katrina in their names.”

Forbes

What drives fraud?

It’s always the money…

But why?

Attitudes and motivations drive fraud.

Criminals & Organized Efforts

Planned in advance
Highly knowledgeable
Preying on vulnerable victims
Opportunistic fraud.

Examining attitudes and demographics...

How you view fraud may depend on your age.

But persons of ALL ages will commit fraud!

How Do We Know?

“More than 68% of Americans believe insurance fraud occurs because people can get away with it...

Up from 49% in 2003.”

How Does Each Generation View Fraud?

It is wrong to overstate the value of an insurance claim...

55+ 89%
45-54 87%
35-44 82%
25-34 83%
18-24 74%

It is wrong to submit claims for items not lost or stolen or for fake injuries...

55+ 97%
45-54 95%
35-44 91%
25-34 91%
18-24 84%
Are insurance companies capable of identifying fraud?

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>55+</td>
<td>74%</td>
</tr>
<tr>
<td>45-54</td>
<td>73%</td>
</tr>
<tr>
<td>35-44</td>
<td>75%</td>
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<tr>
<td>25-34</td>
<td>71%</td>
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<tr>
<td>18-24</td>
<td>66%</td>
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</tbody>
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In 2017, a total of 2,733 consumers were interviewed. A representative sample by state, age, income, race and gender.

97% of Respondents Fell Into 1 of 4 Groups

What Did We Find?
Most Significant Finding: Critic Group Fell From 26% to 11%

Other Findings:

80%

Other Findings:

What motivates post-disaster insurance fraud?

- Fear
- Improve Financial Security
- Entitlement

Fear...

- Shock and trauma
- Rebuild or relocation cost
- Insurance uncertainty
- Overwhelmed by rebuilding and replacing.
The body of research conducted after disasters in the past three decades suggests that the burden of PTSD among persons exposed to disasters is substantial.

Rebuild or relocation costs.

Do I have enough $$$? Where to start? What about future expenses and taxes?

Insurance uncertainty.

On-site assistance.

Prompt answers and reassurances help deter fraud.

Consumer awareness.

Joint efforts.
Overwhelmed by rebuilding & replacing.

Lost family heirlooms
Starting over completely.

The “little” things...

Improve Financial Security

SURVEY: HOW MUCH MONEY DO YOU HAVE SAVED IN YOUR SAVINGS ACCOUNT?

Most are not prepared...

CREDIT CARD DEBT BY AGE GROUP

1 in 3 Americans Has $0

Saved for Retirement

Trying to “catch-up” via fraud.
Entitlement

“Someone should pay for what I went through...”

Economic Entitlement

I paid premiums for years ... and never made a claim.

I deserve something back now...

We will never be made “whole”...

But this will help.

We need this more than the insurance company does...

Plus everyone does it anyway.

What is our role?

Where do we go from here?
Step 1

It takes a team.

The Team

Federal

Efforts

State & Local

Leaders

Industry & Professional Associations

Step 2

Act in advance.

“Be prepared”.

Act in advance.

Legislation:

- “Storm chasers”
- Public adjusters
- Assignment of benefits
- Fraud in whole or in part
- Criminal penalties & fines
Act in advance

Fraud plans – both DOI & carriers
Consumer education and awareness
Quick response anti-fraud teams
Sufficient investigation resources

Step 3
Include anti-fraud efforts in the “first response” plan.

Warn and assist those in need.
To prevent fraud.

Effective leaders work together.

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