# The Cost of Insurance Fraud

Matthew J. Smith, Esq. Executive Director







#### Presenter





Matthew J. Smith, Esq. Executive Director

Mr. Smith is a respected anti-fraud professional. Under his leadership, the Coalition brings together diverse members from all sectors of the fraud fight including consumer advocates, insurers, legislators, regulators, government agencies, prosecutors, law firms and respected business partners.

Before joining the Coalition staff in 2018, Matthew founded one of the nation's leading law firms specializing in handling of insurance fraud and bad faith cases. He previously served as our Director of Government Affairs and legal counsel.

Mr. Smith is a prolific writer and speaker who serves on many boards and committees related to fraud-fighting efforts.

Matthew graduated from the Salmon P. Chase College of Law and the University of Cincinnati College Conservatory of Music where he studied Radio, TV & Film.

#### CEFLI's 2023 Premier Partners















































































Gold:

**Deloitte.** 



Silver:



**Bronze:** 









PBI RESEARCH SERVICES





#### Agenda

- CEFLI's Antitrust Policy.
- Recording of event, materials and Certificate of Attendance.
- Presentation:
  - About the Coalition and the Study.
  - Key findings/ insight from the Study.
  - Discussion & questions.
- CEFLI administrative reminders.

#### Questions Welcomed



Please submit questions <u>at any</u> <u>time</u> using the Q&A feature of Webex.

# Partners Working Together





# Founded 1993







280 + member organizations

- Government
  - Legislative
  - Regulatory
  - Law enforcement
- Consumer/Public Interest
- Insurers (all lines)
- Associations & Academic
- Strategic Partners
  - Data/Investigation
  - Law firms



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ABOUT

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MEMBER REGISTRATION

ADVANCED SEARCH

REPORT FRAUD

Coalition Against Insurance Fraud



## What We Do...



### **Public Information & Outreach**



FRAUD NEWS WEEKLY

**JOURNAL OF INSURANCE FRAUD IN AMERICA** 

"It is in everyone's best interest-- especially insurers-- to protect insureds from these schemes ..."





Coalition Again



**Insurance Fraud** 

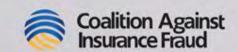








# WEBINARS & PODCASTS ON KEY EMERGING TOPICS



ABOUT FRAUD HOME

SCAM ALERTS

Houston

TEXAS

NEWSROOM

Gulf of Mexico

LOUISIANA

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ADVANCED SEARCH

Date	City	State	Subject	Headline
12/16/2022	New York	NY	Liability	N.Y. Attorney and doctor convicted of defrauding businesses and their insurance companies of more than \$31M through massive trip-and-fall scheme
12/16/2022	Dallas	TX	Medical - false claims	2 arrested for allegedly submitting fake COVID test insurance claims
12/15/2022	Atlanta	GA	Medicare/Medicaid	Indian-American convicted in \$463 mn healthcare fraud
12/15/2022	Colorado Springs	со	Life Insurance	CO woman convicted of killing her 3 children in house fire seeks new trial with backing of Innocence Project
12/15/2022	New York	NY	Medicare/Medicaid	Owner of Durable Medical Equipment Companies Arrested for \$17 Million Kickback Conspiracy



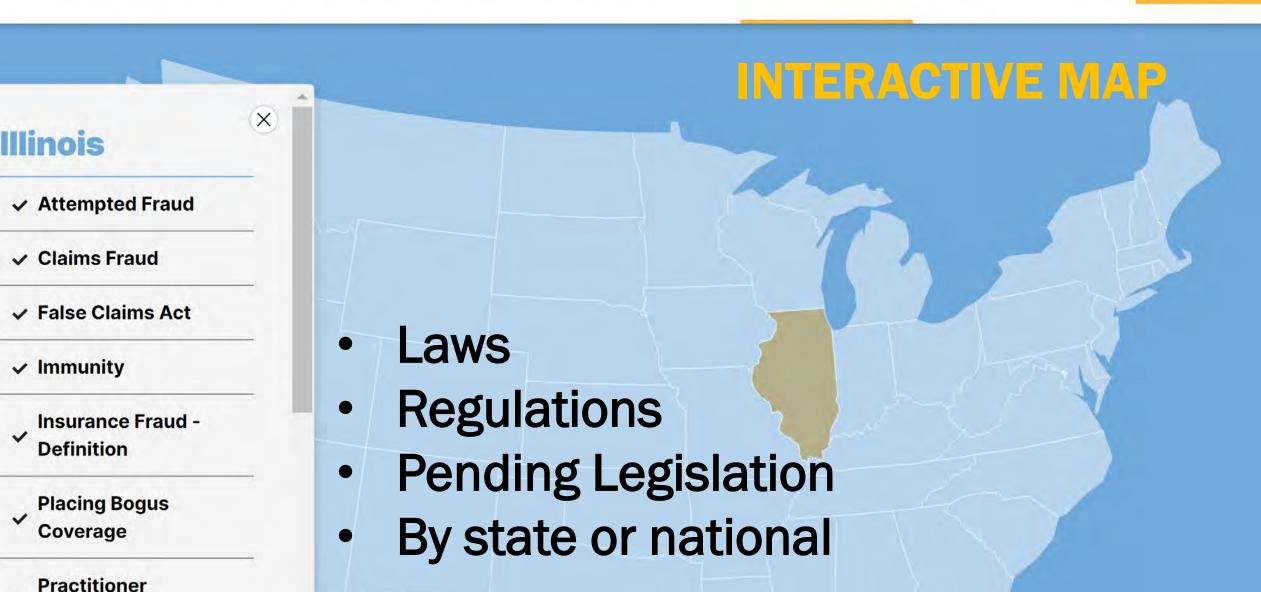






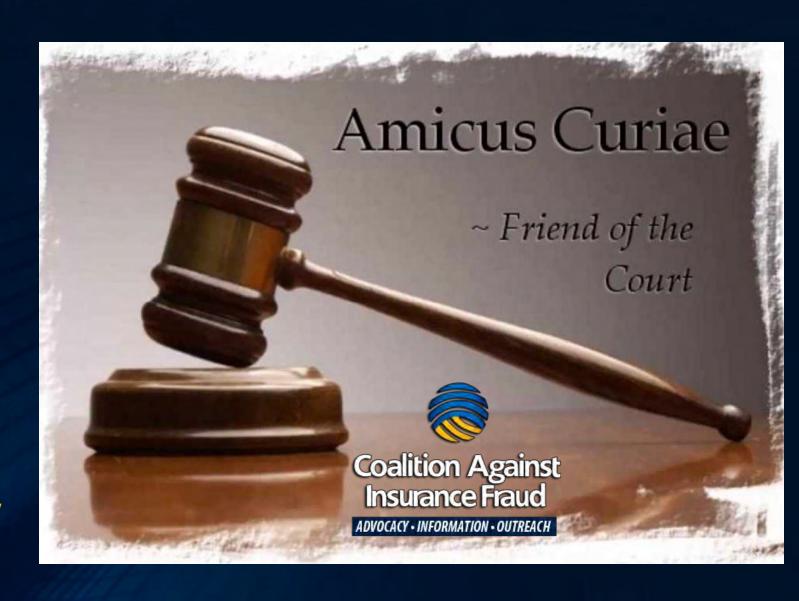
# Legislative, Regulatory & Judicial Advocacy





- Nearly 20 cases filed.
- Briefs online.

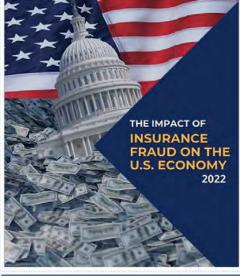
- Six cases pending:
  - Florida
  - New Jersey,
  - California (2) and
  - Illinois (7<sup>th</sup> Circuit),
  - Minnesota



## Research

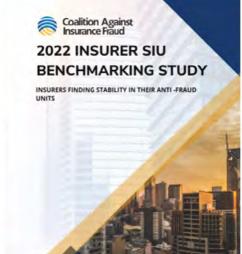












The Coalition is noted for outstanding and reliable research studies.



#### **2023 STUDIES**

How Insurance Fraud is Justified

Keys to Unlocking SIU Success



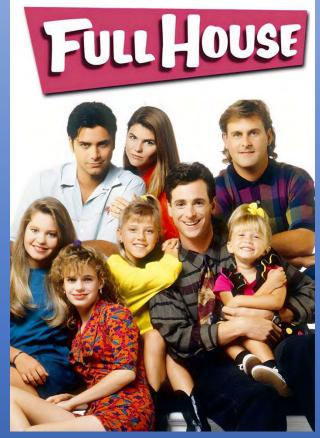
#### Our biggest announcement ever...

# BREAK NEWS



Updating the cost of insurance fraud

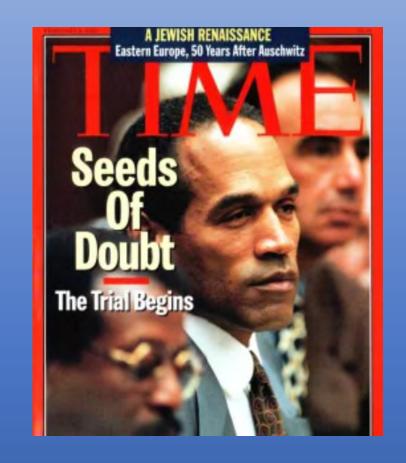












\$80 Billion

1995

The reality behind the number

- Never intended to cover all lines.
- Never updated.
- Never adjusted for inflation.
  - CPI calculator: 1995 -2022: \$80 billion then = \$151.2 billion today!





# Coalition Against Insurance Fraud

ADVOCACY - INFORMATION - OUTREACH



#### 2021:

Time for a new and better study

# A Coalition study ...

With key strategic support.







## CSU GLOBAL









And the new number **is....** 

Coalition Against Insurance Fraud



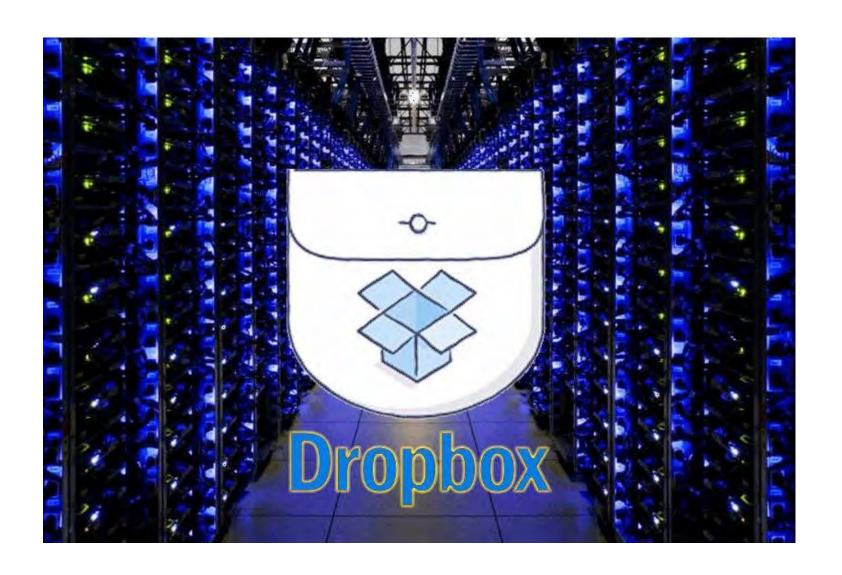






A year and a half of research & study





**Perhaps** the largest collection of antifraud data ever.

## Study Limitations

- U.S. lags the world in identifying insurance fraud acts.
- No centralized reporting system.
- Insurers increasingly fail to share data and oppose laws and regulations.

### **Data Sources**





















INSTITUTE

INSURANCE



Lines of business analyzed:

**Property and Casualty** 

**Workers' Compensation** 

**Premium Evasion** 

Healthcare

Medicare/Medicaid

Life

**Disability** 

**Auto Theft** 









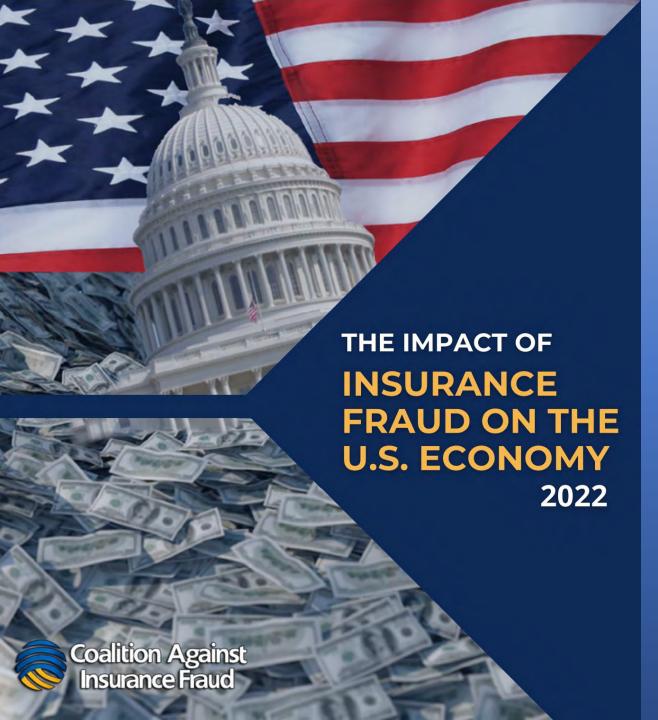












#### **FINAL COST:**

Property and Casualty

Workers' Compensation

Premium Evasion

Healthcare

Medicare/Medicaid

Life Insurance

Disability Insurance

Auto Theft

\$45B

\$34B

\$35.1B

\$36.3B

\$68.7B

\$74.7B

\$7.4B

\$7.4B

\$308.6 Billion Annually



Why is life insurance fraud so high?

\$74.7B





Larger per claim payments

Global insurance fraud targets life insurance





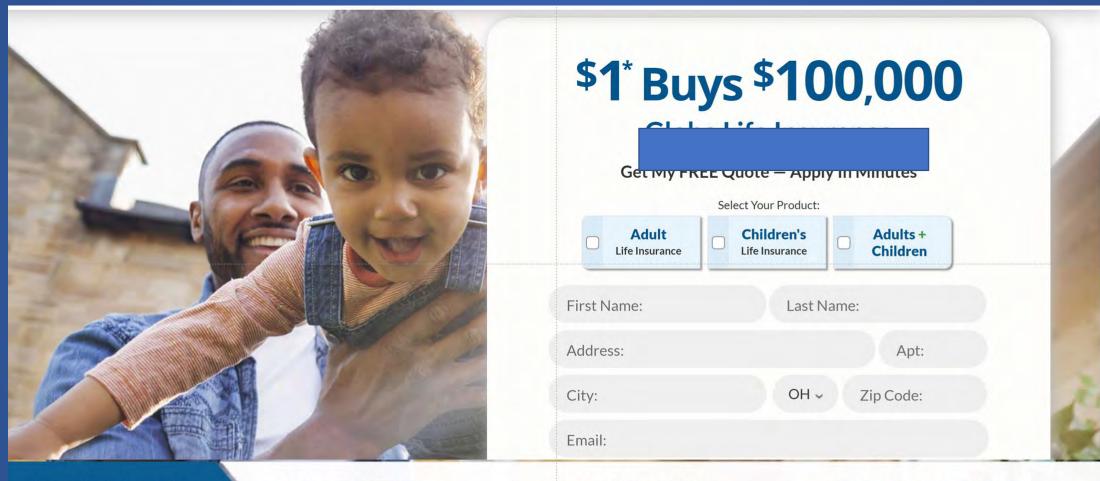


# HOW BIG AND COSTLY IS IDENTIFY FRAUD?

### Aitë

- Identify theft losses increased in 2021 to \$721.3 billion.
- In the past two years, 37% of consumers have been victims of application fraud.
- The highest percentage of victims are 35 – 44 years of age: 30% of all identity theft victims.
- The FTC received 4.8 million identity theft and fraud reports in 2020, up 45% from 2019. A 113% increase in identity theft complaints.

### Do insurer actions drive fraud?



#### **Choose Your Coverage:**

- \$5,000
- \$30,000\$50,000
- \$10,000\$20,000
- \$100,000
- ✓ No Medical Exam Simple Application

Free Quote-Apply Online

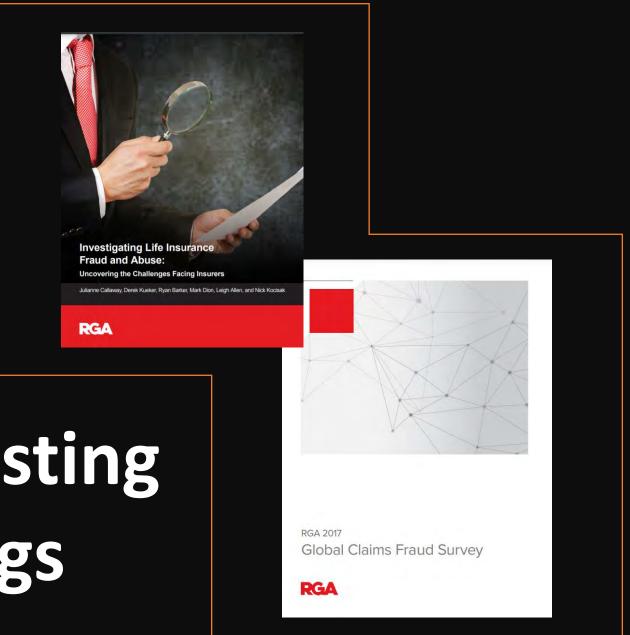
#### No Waiting Period

Full Coverage The First Day Fast Approval Process

#### ✓ Monthly Rates as low as:

\$3.49 for Adults \$2.17 for Children or Grandchildren

## Great resources...



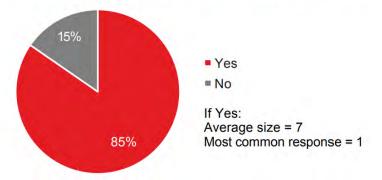
Interesting findings



### Does your company have designated individuals to investigate and prevent fraud?

- "We have individuals who investigate...this is often only a portion of what they do not a full-time activity."
- · "We use a multi-tiered approach to investigations."
- · "We have less than a handful of people in our Special Investigation Unit."

#### Fraud Investigation and Prevention Team



# Are life insurers committed to fighting fraud?



### Is the life insurance industry keeping pace with tools to combat fraud? How can this be improved?

- "No. There is a need is for an industry database for suspected and proven fraud claims within the life insurance industry similar to the ISO database that exists within the P&C world."
- "No. We need more tools to help us combat fraud on the front end before case is ever issued."
- "For the most part-yes. But improvements are needed as we move to more simplified and non-verifiable processes."
- · "We need more cooperation with insurance departments."
- "We are always looking for better tools...there are red flags periodically on the applications, but there are not a lot of tools to help with detection."

# Are life insurers committed to fighting fraud?

# Does Fraud Risk Limit Product Offering? No, we are not concerned, 0 responses Somewhat concerned about the risk of fraud related to SI policies Yes, we are concerned but we limit the face amount available for SI policies

# Are life insurers committed to fighting fraud?





CBSO



CRIME >

Virginia father convicted of killing infant son for life insurance money

- Only 4 states have juvenile life insurance laws.
- Insurers often oppose such laws and regulations.

### The Washington Post

THE POST'S VIEW

Opinion | The deaths of two children underscore the need to rein in juvenile life-insurance policies



### Life insurance fraud is deadly!

#### Murderpedia

The Encyclopedia of Murder

MALE murderers

5.395 entries - 1.208 photo galleries

Index by country - Index by name ABCDEFGHIIKLMMOPQRSTUVWXYZ



FEMALE munderers

240 entries - 119 photo galleries

Index by country - Index by name ABCDEFGHIIKLMNOPQRSTUVWXYZ

DeathPenaltyUSA.org

The database of executions in the United States of America

"Over 4% of Murderpedia entries are potentially related to life insurance; meaning over 600 murders a year in the U.S. are potentially related to an insurance motive."

last updates



### This occurs every year.

#### Dentist kills wife on a Safari

A rich, unscrupulous Pennsylvania dentist planned to murder his wife during a safari trip in Africa all along without her having a clue, such a nice husband indeed. What do you think the reason was? Take a wild guess, if you thought money, then yes you are correct, silly since he really did not need it, a \$5M insurance payout, but the "loving" husband's premeditated cover plan was that they were hunting a leopard in Kafue National Park in 2016 so his wife could attain her goal of shooting a leopard, husband of the year... NOT! Here is the twist, there was more than just greed involved, there was adultery thrown into the mix. Let's share their names with you, the murdering dentist's name is Larry Rudolph the wife that he assassinated was named Bianca Rudolph, and this occurred in a remote cabin in Zambia. It's said that a while after the killing of his wife, he looked lovingly into his mistress's eyes and said ... "I killed my f\*\*\*ing wife for you" at a steakhouse dinner in Phoenix, Arizona





\$308,600,000,000.00

•\$932.63 per year for every living American.

•\$3,750.52 per year for the average American family.

•\$73,491.24 per American over an average lifetime.



In \$1 bills the weight would be more than 11 tons!



In miles, it would equal 12 million trips around the world.



Or 628,000 round-trips to the moon.

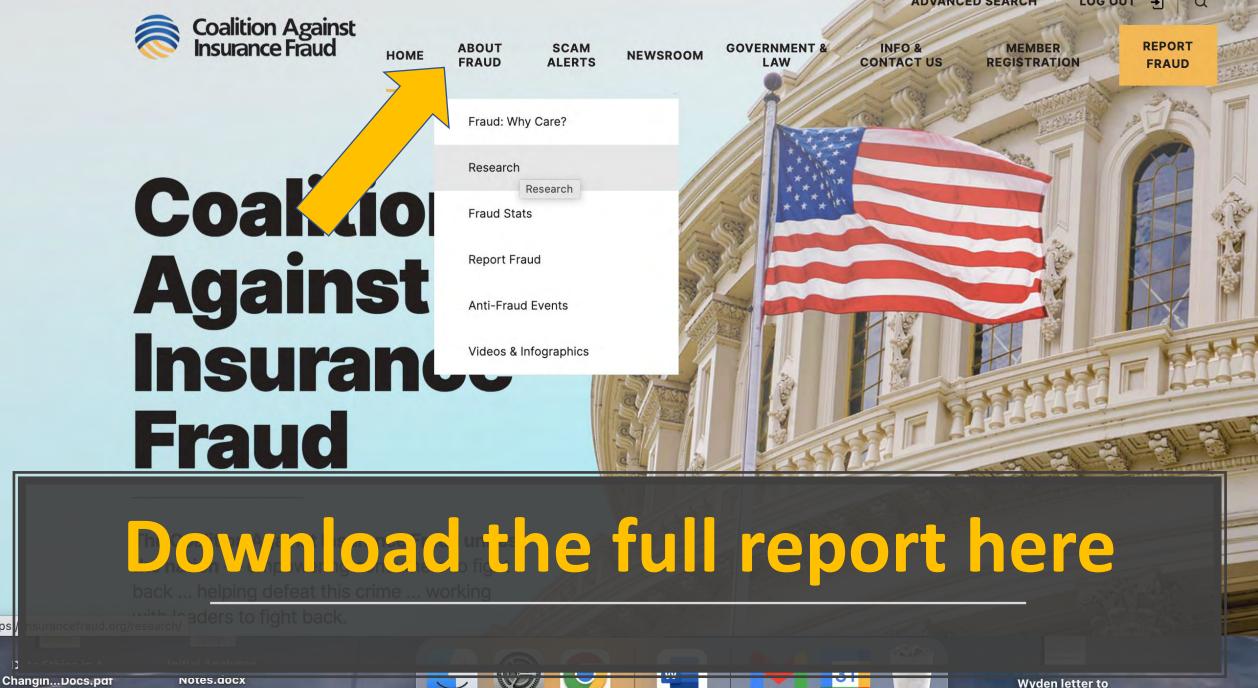


308 billion seconds takes us back to 7700 B.C.



5,000 years before these were built.





Oregon...tices).pdf

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REPORT FRAUD

# Coalitio Against Insuranc Fraud

Fraud: Why Care?

Research

Research

Fraud Stats

Report Fraud

Anti-Fraud Events

Videos & Infographics

### Download the full report here

back ... helping defeat this crime ... working

https://nsurancefraud.org/research/





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#### On this Page:

Videos

Infographics

**Expert Speakers** 

Related Content:

Fraud: Why Care?

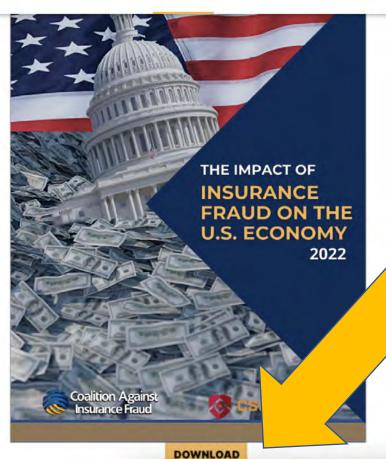
Fraud Stats

Report Fraud

**Anti-Fraud Events** 

Data Ethics in A

Changin...Docs.pdf



Insurance Fraud **2022 INSURER SIU** BENCHMARKING STUDY

STABILITY IN THEIR ANTI -FRAUD INSUREP UNITS

DOWNLOAD

**Initial Analyses** Notes.docx









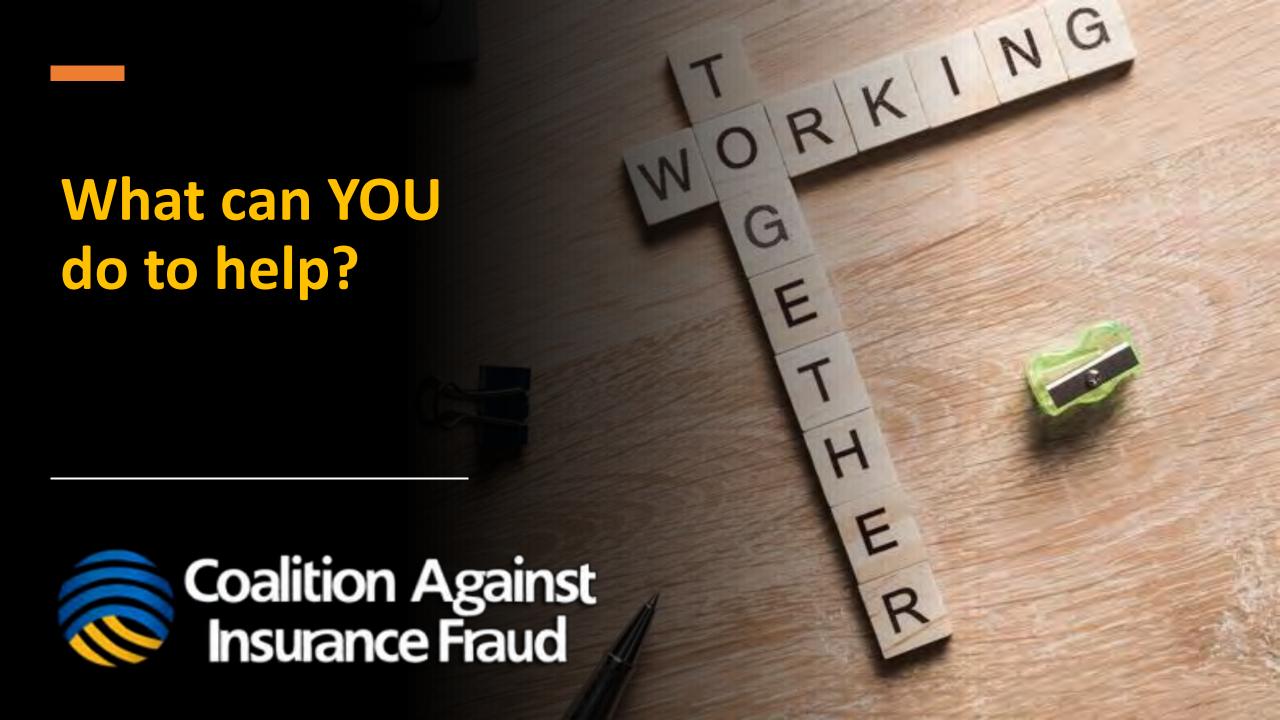




AON







Together we can inform, educate and change the future!





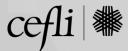




Discussion & Questions







#### Questions:

- Insurable interest concerns.
- The prominence of application fraud.
- Accelerated underwriting impacts.
- Measuring fraud.
- Member questions.

#### Questions Welcomed



Please submit questions <u>at any</u> <u>time</u> using the Q&A feature of Webex.





#### CEFLI Reminders.

Attendees of the live Webinar event will receive:

- 1. An email with a 1-minute post-event survey.
- 2. An email (by early next week) with:
  - Links to the <u>presentation</u> and <u>Webinar recording</u>.
  - A Certificate of Attendance template form.





#### Please Save the Date!

- **CEFLI's** February 8<sup>th</sup> Educational Webinar will cover the subject of insurance oversight programs.
- More information regarding the event will be shared via email and on CEFLI.org in the upcoming weeks.

Thank you for joining us!



