

# MAINE STATE LEGISLATURE

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JOHN ELIAS BALDACCI  
GOVERNOR

STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL  
AND FINANCIAL REGULATION  
BUREAU OF INSURANCE  
34 STATE HOUSE STATION  
AUGUSTA, MAINE  
04333-0034

MILA KOFMAN  
SUPERINTENDENT

August 5, 2008

Senator Nancy Sullivan  
Representative John Brautigam  
Joint Standing Committee on Insurance and Financial Services  
100 State House Station  
Augusta, ME 04333-0003

Re: Year 2007 Insurance Fraud Report

Dear Senator Sullivan, Representative Brautigam, and members of the Committee:

This letter and accompanying information constitutes the Bureau's Annual Report on Insurance Fraud to the Joint Standing Committee on Insurance and Financial Services. The data contained in this Report is based upon annual survey information which insurers are required to report to the Bureau pursuant to 24-A M.R.S.A. §2186 and Maine Insurance Rule Chapter 920.


The first chart in this report illustrates aggregate information regarding cases of suspected fraud for 2005 through 2007. This three year summary shows an overall decrease of 3% in the number of suspected cases of fraud reported in 2007 compared to those reported in 2005, although the 2007 data reflects an aggregate decrease of 6% from 2006. Modest increases in reported suspected fraud appear in workers' compensation and general liability insurance. There is a noticeable decrease in suspected health insurance fraud for 2007. Reports of suspected health fraud cases have decreased 30% since 2005. Although insurers are not required to report reasons for the decrease to the Bureau, Bureau staff believes that generally some of the decrease may be attributable to coverage of fewer insureds and more accurate reporting by insurers.

Attached charts provide aggregate data by type of suspected fraudulent insurance act as it has been reported to the Bureau by insurers. Reported cases include faked property damage, inflated financial loss, faked or exaggerated injury, a history of prior suspect claims and false information on insurance applications. Category labeled "other" includes property and vehicle arson, auto thefts, fraudulent death claims and questionable ownership issues.

The Bureau of Insurance will continue to collect information on suspected fraud claims. In the coming years, additional data will help us to gain a better understanding of the extent of insurance fraud and abuse in Maine.

If you have any questions concerning this report, do not hesitate to contact me.

Respectfully submitted,



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Mila Kofman  
Superintendent

cc: Members, Insurance and Financial Services Committee  
Anne L. Head, Commissioner  
Colleen McCarthy Reid, Legislative Analyst

Maine Fraud and Abuse Annual Report  
Five Year Summary

Number of Suspected Cases of Fraud Reported by Line of Insurance

	<b>2007</b>	<b>2006</b>	<b>2005</b>
Automobile	973	1,080	1,058
Workers' Compensation	350	291	285
General Liability	109	84	86
Life	24	25	8
Health	260	333	369
Inland Marine	7	19	16
Property	280	293	288
Other Lines	90	98	40
<b>Total</b>	<b>2,093</b>	<b>2,223</b>	<b>2,150</b>

Maine Fraud and Abuse Annual Report  
Types of Suspected Fraudulent Insurance Acts Reported

Claimant May Have:

<b>Faked Property Damage</b>	
2005	343
2006	309
2007	315

<b>Inflated Financial Loss</b>	
2005	146
2006	155
2007	151

<b>Faked/Exaggerated Injury</b>	
2005	349
2006	366
2007	423

<b>Staged Accident/Injury</b>	
2005	44
2006	75
2007	45

<b>Been Known To File Suspect Claims, Including Faking, Exaggerating, or Extending Total or Partial Disability</b>	
2005	172
2006	138
2007	190

<b>Other</b>	
2005	199
2006	249
2007	234

Legal Provider May Have:

<b>Hired or Paid Cappers/Chasers to Recruit Clients</b>	
2005	0
2006	0
2007	0

<b>Charged Fees Inconsistent with Services Provided</b>	
2005	0
2006	0
2007	0

Legal Provider May Have:

<b>Other</b>	
2005	1
2006	1
2007	1

Medical Provider May Have:

<b>Provided an Inaccurate /Incomplete History</b>	
2005	33
2006	16
2007	1

<b>Billed for Services Not Provided</b>	
2005	32
2006	5
2007	2

<b>Upcoded or Billed for Excessive Treatments</b>	
2005	47
2006	21
2007	5

<b>Unbundled Services</b>	
2005	33
2006	16
2007	0

<b>Received Compensation for Referral to Medical or Legal Providers</b>	
2005	11
2006	15
2007	0

<b>Hired or Paid Cappers/Chasers to Recruit Clients</b>	
2005	0
2006	0
2007	0

<b>Fabricated Services</b>	
2005	3
2006	1
2007	0

Medical Provider May Have:

<b>Provided an Inaccurate/Incomplete History</b>	
2005	0
2006	0
2007	0

<b>Operated Without a License</b>	
2005	57
2006	15
2007	1

<b>Other</b>	
2005	7
2006	5
2007	7

Other Person or Entity May Have:

<b>Received/Paid Compensation for Referral</b>	
2005	0
2006	0
2007	0

<b>Fabricated Services</b>	
2005	1
2006	0
2007	0

<b>Charged Inconsistent with Services Provided</b>	
2005	1
2006	9
2007	1

<b>Provided an Inaccurate/Incomplete History, or Submitted False or Inaccurate Information to Obtain an Insurance Policy or to Reduce an Insurance Premium</b>	
2005	368
2006	389
2007	236

<b>Other</b>	
2005	2
2006	3
2007	9

Total Number of Suspected Fraud Claims by Type of Insurance:

<b>Personal</b>	
2005	1,428
2006	1,317
2007	1,196

<b>Commercial</b>	
2005	713
2006	848
2007	764

Number of Cases Reported/Referred to Law Enforcement Agency:

<b>District Attorney's Office</b>	
2005	9
2006	8
2007	7

<b>U.S. Attorney's Office</b>	
2005	2
2006	5
2007	1

<b>Other Law Enforcement<sup>1</sup></b>	
2005	69
2006	32
2007	44

<b>Workers' Compensation Board Abuse and Fraud Unit</b>	
2005	31
2006	22
2007	36

<b>National Insurance Crime Bureau</b>	
2005	218
2006	126
2007	209

<b>Other, Including U.S. Postal Authorities</b>	
2005	1
2006	7
2007	3

<sup>1</sup> These cases are not duplicate referrals.



Amount of Money NOT Paid on Suspected Fraudulent Cases:

<b>Year</b>	<b>Amount<sup>2</sup></b>
2005	\$7,037,871
2006	\$5,666,380
2007	\$7,956,277

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<sup>2</sup> One auto insurer that reports a number of suspected fraud claims does not track or report an amount of money not paid on suspected cases.