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

JOHN ELIAS BALDACCI
GOVERNOR

MILA KOFMAN
SUPERINTENDENT

November 23, 2010

Senator Peter Bowman, Senate Chair
Representative Sharon Treat, House Chair
Joint Standing Committee on Insurance and Financial Services
100 State House Station
Augusta, ME 04333-0003

Re: Report of Fraudulent Insurance Acts for Calendar Year 2009

Dear Senator Bowman, Representative Treat, and members of the Committee:

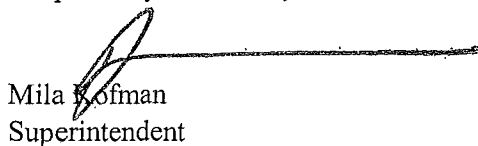
This letter and information constitutes the Bureau's Annual Report on Insurance Fraud to the Joint Standing Committee on Insurance and Financial Services. The data contained in this report is based upon annual survey information which insurers are required to report to the Bureau pursuant to 24-A M.R.S.A.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

The first table in this report presents aggregate information about suspected fraudulent claims for the five-year period from 2005 through 2009. The number reported in 2009 represents a 7 percent increase from 2008. The total for last year, however, remained lower than those reported in 2005, 2006 or 2007. During this five-year timeframe, the largest number of suspected fraudulent claims was reported in the automobile insurance line of business. This line, along with property insurance, reported increases in the number of suspected fraudulent claims. The next two lines with the largest number of claims were Workers' Compensation and health insurance. The number of reported claims for Workers' Compensation has been trending downward for the past two years.

Other tables provide aggregate data by type of insurance for the following: where claimants, medical providers, legal providers or others may have engaged in fraudulent activity; where acts were reported or referred to law enforcement agencies; and the amount of money *not* paid out on suspected fraudulent acts. Reported acts include faking property damage, inflating financial loss, faking or exaggerating injury, and providing false information on insurance applications.

The Bureau of Insurance will continue to collect information on suspected fraudulent insurance acts to better understand the extent of such fraud and abuse in Maine. If you have questions concerning this report, do not hesitate to contact me.

Respectfully submitted,



Mila Kofman
Superintendent

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

Maine Insurance Fraud and Abuse Annual Report

Five Year Summary: 2005-2009

Table 1 shows the number of suspected fraudulent claims reported by line of insurance for the most recent five year period. The number of suspected fraudulent claims increased from 1,627 in 2008 to 1,740 in 2009. Although not all insurers specify the categories covered by "Other Lines", some used this designation for Vehicle Service Contracts, disability insurance, accident and health insurance and fidelity insurance.

Table 1. Number of Suspected Fraudulent Claims Reported by Line of Insurance

	2009	2008	2007	2006	2005
Automobile	736	674	973	1,080	1,058
Property	485	303	280	293	288
Workers' Compensation	211	276	350	291	285
Health	141	195	260	333	369
General Liability	54	66	109	84	86
Life	27	27	24	25	8
Inland Marine	8	8	7	19	16
Other Lines	78	78	90	98	40
Total	1,740	1,627	2,093	2,223	2,150

Note: A claim may not be the same as a case of fraudulent activity as one case may involve more than one claim. For example, an insurer may have reported that one medical provider submitted several fraudulent claims.

Table 2 shows the number of suspected fraudulent claims in Maine categorized by claims reported for personal lines coverage (e.g., Personal Auto or Homeowners) and claims for commercial lines coverage (e.g., Commercial General Liability or Workers' Compensation).

Table 2. Number of Suspected Fraudulent Claims Reported by Type of Insurance

	2009	2008	2007	2006	2005
Personal Lines	819	939	1,196	1,317	1,428
Commercial Lines	501	656	764	848	713

Note: The type of insurance was not reported for approximately 25% of the suspected fraudulent claims because some insurers do not capture that data.

Table 3 shows the number of reported cases in which a claimant may have been involved in different types of fraudulent activity. The number of reported cases in three categories—Faked/Exaggerated Injury, Staged Accident/Injury, and Been Known to File Suspect Claims—each decreased by 30 percent or more compared to 2008. The "Other" category was used for cases involving a variety of acts such as arson, theft, misrepresentations on applications, and loss of rent without tenants in the property.

Table 3. Number of Cases of Suspected Fraudulent Insurance Acts Reported In Which the *Claimant* May Have:

	2009	2008	2007	2006	2005
Faked/Exaggerated Injury	355	521	423	366	349
Faked Property Damage	286	212	315	309	343
Inflated Financial Loss	112	127	151	155	146
Been Known to File Suspect Claims—Including Faking, Exaggerating, or Extending Total or Partial Disability	102	237	190	138	172
Staged Accident/Injury	55	130	45	75	44
Other	262	232	234	249	199

Note: There can be more than one suspected fraudulent insurance act per case.

Table 4 shows the number of reported cases in which a legal provider may have been involved in different types of fraudulent activity. The number of reported cases involving legal providers has been low throughout the five year period.

Table 4. Number of Cases of Suspected Fraudulent Insurance Acts Reported In Which the *Legal Provider* May Have:

	2009	2008	2007	2006	2005
Hired or Paid Cappers/Chasers to Recruit Clients	0	3	0	0	0
Charged Fees Inconsistent with Services Provided	1	0	0	0	0
Other	0	0	1	1	1

Table 5 shows the number of reported cases in which a medical provider may have been involved in different types of suspected fraudulent activity. The highest numbers of reported acts for 2009 were contained in six different categories of fraudulent activity. Although the numbers are small, there were increases in unbundled services and operating without a license.

Table 5. Number of Reported Cases of Suspected Fraudulent Insurance Acts Reported In Which the *Medical Provider* May Have:

	2009	2008	2007	2006	2005
Unbundled Services	7	1	0	16	33
Provided an Inaccurate/Incomplete History	6	20	1	16	33
Billed for Services Not Provided	6	6	2	5	32
Upcoded or Billed for Excessive Treatments	6	8	5	21	47
Fabricated Services	5	3	0	1	3
Operated Without a License	5	1	1	15	57
Received Compensation for Referral to Medical or Legal Providers	0	0	0	15	11
Hired or Paid Cappers/Chasers to Recruit Clients	0	0	0	0	0
Other	6	6	7	5	7

Note: There can be more than one suspected fraudulent insurance act per case.

Table 6 shows the number of reported cases in which a person or entity--other than a claimant, medical provider or legal provider--may have been involved in different types of suspected fraudulent activity. The "Other" category was used for first party claims with a suspected intentional act or exaggerated claim and for possible agent fraud. The large number of cases reported in the "Other" category includes totals for one company that did not track the data included in Tables 3 through 6 in 2009 due to a change in computer systems.

Table 6. Number of Suspected Fraudulent Insurance Cases Reported In Which an *Other Person or Entity* May Have:

	2009	2008	2007	2006	2005
Provided an Inaccurate/Incomplete History, or Submitted False or Inaccurate Information to Obtain an Insurance Policy or to Reduce an Insurance Premium	25	101	236	389	368
Charged Inconsistent with Services Provided	1	2	1	9	1
Received/Paid Compensation for Referral	1	0	0	0	0
Fabricated Services	0	2	0	0	1
Other	367	14	9	3	2

Notes: There can be more than one suspected fraudulent insurance act per case.

In reviewing data over time, the Bureau of Insurance Research and Statistics Unit has identified data issues and has questioned the validity and accuracy of information reported by several companies. The Bureau continues to work with companies to refine the process and ensure that future reports contain more accurate data.

Table 7 shows the number of suspected fraudulent activity cases reported or referred to law enforcement or other agencies. The totals remained about the same in 2009 as in 2008. There were decreases in the number of cases reported to three agencies. The two "Other" categories include the Maine Office of State Fire Marshal; local, county or state police; and the Maine Bureau of Insurance. The number of cases reported to "Other" law enforcement or agencies doubled from 2008 to 2009.

Table 7. Number of Cases of Suspected Fraudulent Insurance Acts Reported/Referred To Law Enforcement and Other Agencies					
	2009	**2008**	**2007**	**2006**	**2005**
National Insurance Crime Bureau	226	254	209	126	218
Other Law Enforcement	78	34	44	32	69
Workers' Compensation Board Fraud & Abuse Unit	11	23	36	22	31
Other, Including U.S. Postal Authorities	10	10	3	7	1
County Attorney's Office	5	4	7	8	9
U.S. Attorney's Office	2	15	1	5	2
Totals	332	340	300	200	330

Note: These totals will not match the total number of reported fraudulent insurance cases in Tables 3 through 6 because not every case is referred to a law enforcement agency.

Table 8 shows the amount of money that was *not* paid out on cases of suspected fraudulent insurance acts. This represents money that would have been paid had the fraud not been detected. Reported data indicates that 2009 had the second lowest amount of money not paid on suspected fraudulent acts during the past five years, and that total was more than 34 percent less than the amount reported in 2008. Two carriers have confirmed reductions of over $2.6 million in the amounts of money not paid on suspected fraudulent insurance acts.

Table 8. Amount of Money NOT Paid on Cases of Suspected Fraudulent Insurance Acts				
2009	**2008**	**2007**	**2006**	**2005**
$6,352,899	$9,731,510	$7,956,277	$5,666,380	$7,037,871

Note: Two insurance groups reported suspected cases of fraudulent activity, but do not track and report the amount of money not paid on those cases.