

MAINE STATE LEGISLATURE

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

ANGUS S. KING, JR.
 GOVERNOR

ALESSANDRO A. IUPPA
 SUPERINTENDENT

July 22, 2002

RECEIVED

AUG 07 2002

Senator Lloyd R. LaFountain III
 Representative Christopher P. O'Neil
 Joint Standing Committee on Banking & Insurance
 100 State House Station
 Augusta, ME 04333-0003

Re: Year 2001 Insurance Fraud Report

Dear Senator LaFountain, Representative O'Neil, and members of the Committee:

Pursuant to 24-A M.R.S.A. §2186, this letter constitutes the Bureau's annual report on Insurance Fraud to the Joint Standing Committee on Banking and Insurance.

This is the third year insurers have been required to report on insurance fraud activities in Maine. For your convenience, data for all three years is summarized in the table below, the detail data is attached to this letter.

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Auto	348	260	262
Workers' Comp	464	325	472
General Liability	33	39	15
Life	26	31	46
Health	75	122	72
Marine	13	11	15
Property	81	92	89
Other	<u>486</u>	<u>220</u>	<u>24</u>
Total	1,526	1,100	995

Through the reporting date (12/31/01) insurers estimated that approximately \$5.6 million has not been paid to claimants because of suspected fraudulent insurance acts. For purposes of this report, "Fraudulent Insurance Act" has the same meaning as in 24-A M.R.S.A. §2186, sub-§1, paragraph A. It includes the presentation or preparation of any information as to a material fact with knowledge or belief that the information will be presented by or on behalf of an insured, claimant or applicant to a person engaged in the business of insurance regarding an application for insurance or for policy renewal, the rating of an insurance policy, a claim for benefits, payments made in accordance with an insurance policy or premiums paid on an insurance policy.



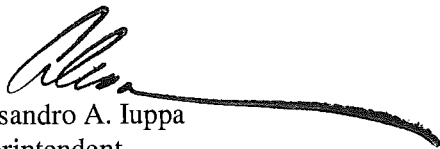
PRINTED ON RECYCLED PAPER

OFFICES LOCATED AT: 124 NORTHERN AVE., GARDINER, MAINE 04345

PHONE: (207) 624-8475 TDD (207) 624-8563 CUSTOMER COMPLAINT 1-800-300-5000 FAX: (207) 624-8599

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Alessandro', with a long, sweeping horizontal line extending to the right.

Alessandro A. Iuppa
Superintendent

Cc: S. Catherine Longley, Commissioner
David Wilby, Office of the Governor
Colleen McCarthy Reid, Legislative Analyst

**State of Maine
Bureau of Insurance**

Maine Fraud and Abuse Annual Report

Number of cases by category:

Claimant May Have:

1. Faked property damage -
1999 – 70
2000 – 74
2001 - 63

2. Inflated financial loss -
1999 – 65
2000 – 58
2001 – 101

3. Faked/exaggerated injury -
1999 – 530
2000 – 463
2001 – 374

4. Staged accident/injury -
1999 – 21
2000 – 20
2001 – 47

5. Been known to file suspect claims, including faking, exaggerating, or
extending total or partial disability
1999 – 53
2000 – 42
2001 – 78

6. Other
1999 – 82
2000 – 157
2001 – 190

Legal Provider May Have:

7. Hired or paid cappers/chasers to recruit clients
1999 – 2
2000 – 0
2001 - 0

8. Charged fees inconsistent with services provided
1999 – 0
2000 – 0
2001 – 11

- 9. Other
 - 1999 - 4
 - 2000 - 1
 - 2001 - 0

Medical Provider May Have:

- 10. Provided an inaccurate/incomplete history
 - 1999 - 4
 - 2000 - 6
 - 2001 - 4
- 11. Billed for services not provided
 - 1999 - 10
 - 2000 - 15
 - 2001 - 13
- 12. Upcoded or billed for excessive treatments
 - 1999 - 233
 - 2000 - 10
 - 2001 - 24
- 13. Unbundled services
 - 1999 - 1
 - 2000 - 2
 - 2001 - 0
- 14. Received compensation for referral to medical or legal providers
 - 1999 - 3
 - 2000 - 1
 - 2001 - 0
- 15. Hired or paid cappers/chasers to recruit clients
 - 1999 - 10
 - 2000 - 0
 - 2001 - 0
- 16. Fabricated services
 - 1999 - 3
 - 2000 - 0
 - 2001 - 11
- 17. Provided an inaccurate/incomplete history
 - 1999 - 0
 - 2000 - 2
 - 2001 - 1

- 18. Operated without a license
 - 1999 - 0
 - 2000 - 0
 - 2001 - 1

- 19. Other
 - 1999 - 11
 - 2000 - 7
 - 2001 - 12

Other Person or Entity May Have:

- 20. Received/paid compensation for referral
 - 1999 - 1
 - 2000 - 0
 - 2001 - 0

- 21. Fabricated services
 - 1999 - 10
 - 2000 - 1
 - 2001 - 3

- 22. Charged inconsistent with services provided
 - 1999 - 10
 - 2000 - 10
 - 2001 - 3

- 23. Provided an inaccurate/incomplete history, or submitted false or inaccurate information to obtain an insurance policy or to reduce an insurance premium
 - 1999 - 16
 - 2000 - 11
 - 2001 - 5

- 24. Other
 - 1999 - 18
 - 2000 - 16
 - 2001 - 12

Total number of suspected fraud claims by line of business:

Auto -

- 1999 - 262
- 2000 - 260
- 2001 - 348

Workers' Comp -

- 1999 - 472
- 2000 - 325
- 2001 - 464

General Liability -

1999 - 15
2000 - 39
2001 - 33

Life -

1999 - 46
2000 - 31
2001 - 26

Health (including Medicare/Medicaid) -

1999 - 72
2000 - 122
2001 - 75

Marine -

1999 - 15
2000 - 11
2001 - 13

Property -

1999 - 89
2000 - 92
2001 - 81

Other -

1999 - 24
2000 - 220
2001 - 486

Total number of suspected fraud claims by type of insurance:

Personal -

1999 - 432
2000 - 626
2001 - 906

Commercial -

1999 - 563
2000 - 464
2001 - 622

Number of cases reported/referred to law enforcement agency

District Attorney's Office

1999 - 4
2000 - 34
2001 - 4

U.S. Attorney's Office

1999 - 2

2000 - 5

2001 - 3

Other Law Enforcement

1999 - 36

2000 - 16

2001 - 17

Workers' Compensation Board Abuse and Fraud Unit

1999 - 0

2000 - 1

2001 - 1

National Insurance Crime Bureau

1999 - 78

2000 - 95

2001 - 63

Other, including U.S. Postal Authorities

1999 - 18

2000 - 17

2001 - 149

Amount of money not paid on suspected fraudulent cases:

1999 - \$8,985,366.32

2000 - \$3,527,186.44

2001 - \$5,646,900.83