

MAINE STATE LEGISLATURE

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July 15, 2003

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

Re: Year 2002 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 Insurance and Financial Services.

This is the fourth year insurers have been required to report on insurance fraud activities in Maine. In 2002 approximately 450 companies filed reports with the Bureau. In the aggregate the number of reported suspected insurance fraud activities in Maine declined by 7.5% from the prior year. Automobile insurance remained the single largest source of suspected fraudulent activity accounting for more than one-third of the total reported cases. This represents a change from 2001, when automobile insurance constituted less than 23% of the total reported cases of fraud.

Of the lines of insurance tracked in this report, suspected fraudulent activity declined in six – workers' compensation, general liability, health, marine, and property insurance. In only two lines – automobile and life – did the level of activity reported in 2002 increase from the previous year. For your convenience, the aggregate data for all four years is summarized in Table One, the CY 2002 detail data is provided in Exhibit One and the reporting template is in Exhibit Two.

Through the reporting date (12/31/02) insurers estimated that approximately \$4.6 million was not 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.

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

Sincerely,

Alessandro A. Iuppa
Superintendent

cc: Robert Murray Jr., Commissioner
Jack Cashman, Office of the Governor
Colleen McCarthy Reid, Legislative Analyst

Table One: Four Year Summary

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Automobile	516	348	260	262
Workers' Compensation	226	464	325	472
General Liability	26	33	39	15
Life	94	26	31	46
Health	46	75	122	72
Marine	3	13	11	15
Property	72	81	92	89
Other Lines	<u>429</u>	<u>486</u>	<u>220</u>	<u>24</u>
Total	1,412	1,526	1,100	995

Exhibit One: Detail Data by Year

2003 Maine Fraud and Abuse Annual Report

Number of Cases by Category:

Claimant May Have:

1. Faked property damage -
1999 - 70
2000 - 74
2001 - 63
2002 - 34
2. Inflated financial loss -
1999 - 65
2000 - 58
2001 - 101
2002 - 45
3. Faked/exaggerated injury -
1999 - 530
2000 - 463
2001 - 374
2002 - 83
4. Staged accident/injury -
1999 - 21
2000 - 20
2001 - 47
2002 - 1
5. Been known to file suspect claims, including faking, exaggerating, or extending total or partial disability
1999 - 53
2000 - 42
2001 - 78
2002 - 21
6. Other
1999 - 82
2000 - 157
2001 - 190
2002 - 10

Legal Provider May Have:

- 7. Hired or paid cappers/chasers to recruit clients
 - 1999 - 2
 - 2000 - 0
 - 2001 - 0
 - 2002 - 0

- 8. Charged fees inconsistent with services provided
 - 1999 - 0
 - 2000 - 0
 - 2001 - 11
 - 2002 - 0

- 9. Other
 - 1999 - 4
 - 2000 - 1
 - 2001 - 0
 - 2002 - 1

Medical Provider May Have:

- 10. Provided an inaccurate/incomplete history
 - 1999 - 4
 - 2000 - 6
 - 2001 - 4
 - 2002 - 0

- 11. Billed for services not provided
 - 1999 - 10
 - 2000 - 15
 - 2001 - 13
 - 2002 - 2

- 12. Upcoded or billed for excessive treatments
 - 1999 - 233
 - 2000 - 10
 - 2001 - 24
 - 2002 - 8

- 13. Unbundled services
 - 1999 - 1
 - 2000 - 2
 - 2001 - 0
 - 2002 - 2

- 14. Received compensation for referral to medical or legal providers
 - 1999 - 3
 - 2000 - 1
 - 2001 - 0
 - 2002 - 0

- 15. Hired or paid cappers/chasers to recruit clients
 - 1999 - 10
 - 2000 - 0
 - 2001 - 0
 - 2002 - 0

- 16. Fabricated services
 - 1999 - 3
 - 2000 - 0
 - 2001 - 11
 - 2002 - 4

- 17. Provided an inaccurate/incomplete history
 - 1999 - 0
 - 2000 - 2
 - 2001 - 1
 - 2002 - 0

- 18. Operated without a license
 - 1999 - 0
 - 2000 - 0
 - 2001 - 1.
 - 2002 - 3

- 19. Other
 - 1999 - 11
 - 2000 - 7
 - 2001 - 12
 - 2002 - 11

Other Person or Entity May Have:

- 20. Received/paid compensation for referral
 - 1999 - 1
 - 2000 - 0
 - 2001 - 0
 - 2002 - 0

- 21. Fabricated services
 - 1999 - 10
 - 2000 - 1
 - 2001 - 3
 - 2002 - 1

- 22. Charged inconsistent with services provided
 - 1999 - 10
 - 2000 - 10
 - 2001 - 3
 - 2002 - 0

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
 2002 - 29
24. Other
 1999 - 18
 2000 - 16
 2001 - 12
 2002 - 20

Total Number of Suspected Fraud Claims by Line of Business:

<i>Automobile:</i>	<i>Workers' Compensation:</i>
1999 - 262	1999 - 472
2000 - 260	2000 - 325
2001 - 348	2001 - 464
2002 - 516	2002 - 226
<i>General Liability:</i>	<i>Life:</i>
1999 - 15	1999 - 46
2000 - 39	2000 - 31
2001 - 33	2001 - 26
2002 - 26	2002 - 94
<i>Health (including Medicare/Medicaid):</i>	<i>Marine:</i>
1999 - 72	1999 - 15
2000 - 122	2000 - 11
2001 - 75	2001 - 13
2002 - 46	2002 - 3
<i>Property:</i>	<i>Other Lines:</i>
1999 - 89	1999 - 24
2000 - 92	2000 - 220
2001 - 81	2001 - 486
2002 - 72	2002 - 429

Total Number of Suspected Fraud Claims by Type of Insurance:

<i>Personal:</i>	<i>Commercial:</i>
1999 - 432	1999 - 563
2000 - 626	2000 - 464
2001 - 906	2001 - 622
2002 - 712	2002 - 369

Number of Cases Reported/Referred to Law Enforcement Agency:

District Attorney's

Office:

1999 - 4
2000 - 34
2001 - 4
2002 - 63

U.S. Attorney's Office:

1999 - 2
2000 - 5
2001 - 3
2002 - 0

Other Law

Enforcement:

1999 - 36
2000 - 16
2001 - 17
2002 - 12

Workers'

Compensation Board

Abuse and Fraud Unit:

1999 - 0
2000 - 1
2001 - 1
2002 - 2

National Insurance

Crime Bureau:

1999 - 78
2000 - 95
2001 - 63
2002 - 14

Other, Including U.S.

Postal Authorities

1999 - 18
2000 - 17
2001 - 149
2002 - 5

Estimate of Monies Not Paid on Suspected Fraudulent Cases:

1999 - \$8,985,366
2000 - \$3,527,186
2001 - \$5,646,901
2002 - \$4,597,730

Exhibit Two: Reporting Form

Maine Fraud and Abuse Annual Report

For Year Ending December 31, _____

Due March 1

ALTERNATIVE/CONSOLIDATED REPORTING BY INSURER GROUP

In the alternative to individual insurer reporting, insurers may elect to report on a consolidated group basis.

Group Name:

NAIC #s of reporting insurers:

Names of Insurers Reporting on a consolidated basis:

Company Contact Person: _____

Telephone # _____

Company Name:

NAIC #:

Company Contact Person: _____

Telephone # _____

Number of cases by category:

Claimant May Have:

1. Faked property damage
2. Inflated financial loss
3. Faked/exaggerated injury
4. Staged accident/injury
5. Been known to file suspect claims, including faking, exaggerating, or extending total or partial disability
6. Other

Legal Provider May Have:

7. Hired or paid cappers/chasers to recruit clients
8. Charged inconsistent with services provided
9. Other

Medical Provider May Have:

10. Provided an inaccurate/incomplete history
11. Billed for services not provided
12. Upcoding or billing for excessive treatments
13. Unbundling
14. Received compensation for referral to medical or legal providers
15. Hired or paid cappers/chasers to recruit clients
16. Fabricated services
17. Provided an inaccurate/incomplete history
18. Operated without a license
19. Other

Other Person or Entity May Have:

20. Received/paid compensation for referral
21. Fabricated services
22. Charged inconsistent with services provided
23. Provided an inaccurate/incomplete history, or submitted false or inaccurate information to obtain an insurance policy or to reduce an insurance premium
24. Other
25. Total number of suspected fraud claims by line of business:
 - Auto
 - Worker Comp
 - General Liability
 - Life
 - Health (including Medicare/Medicaid)
 - Marine
 - Property
 - Other

26. Total number of suspected fraud claims by type of insurance:

Personal

Commercial

27. Number of cases reported/referred to law enforcement agency?

County Attorney's Office

U.S. Attorney's Office

Other Law Enforcement

Workers' Compensation Board Abuse and Fraud Unit

NICB

Other, including U.S. Postal Authorities

28. Amount of money not paid on suspected fraudulent cases: