

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

February 12, 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: Year 2008 Insurance Fraud Report

Dear Senator Bowman, Representative Treat, 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 most recent data covers calendar year 2008.

The first table in this report illustrates aggregate information regarding cases of suspected fraud for 2005 through 2008. This four year summary shows an overall decrease of over 23 percent in the number of suspected cases of fraud reported since 2005. The largest percentage decreases over the prior year were in automobile insurance, worker's compensation and general liability. The largest percentage increase in the past year was reported in property insurance. Insurers are not required to report the reason for increases or decreases in the number of suspected cases of fraud.

Attached tables provide aggregate data by type of insurance, type of suspected fraudulent insurance acts reported to the Bureau, as it has been reported 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.

OFFICES LOCATED AT: 76 NORTHERN AVE., GARDINER, MAINE 04345

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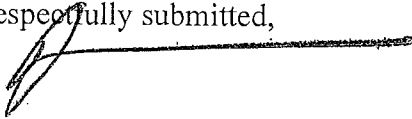
www.Maine.Gov/Insurance

Bureau of Insurance
2008 Fraud and Abuse Report

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,



Mila Kofman
Superintendent

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

2008 Maine Fraud and Abuse Annual Report

Table 1. Number of Suspected Cases of Fraud Reported by Line of Insurance

	2008	2007	2006	2005
Automobile	672	973	1,080	1,058
Workers' Compensation	276	350	291	285
General Liability	66	109	84	86
Life	27	24	25	8
Health	195	260	333	369
Inland Marine	8	7	19	16
Property	303	280	293	288
Other Lines	78	90	98	40
Total	1,625	2,093	2,223	2,150

Table 2. Total Number of Suspected Fraud Claims by Type of Insurance:

Personal Lines	
2005	1,428
2006	1,317
2007	1,196
2008	937

Commercial Lines	
2005	713
2006	848
2007	764
2008	656

Table 3. Types of Suspected Fraudulent Insurance Acts Reported

Claimant May Have:

Faked Property Damage	
2005	343
2006	309
2007	315
2008	212

Inflated Financial Loss	
2005	146
2006	155
2007	151
2008	127

Faked/Exaggerated Injury	
2005	349
2006	366
2007	423
2008	519

Staged Accident/Injury	
2005	44
2006	75
2007	45
2008	130

Been Known To File Suspect Claims, Including Faking, Exaggerating, or Extending Total or Partial Disability	
2005	172
2006	138
2007	190
2008	237

Other	
2005	199
2006	249
2007	234
2008	232

Note: There can be more than one act of suspected fraudulent insurance activity per claim.

Legal Provider May Have:

Hired or Paid Cappers/Chasers to Recruit Clients	
2005	0
2006	0
2007	0
2008	3

Charged Fees Inconsistent with Services Provided	
2005	0
2006	0
2007	0
2008	0

Other	
2005	1
2006	1
2007	1
2008	7

Note: There can be more than one act of suspected fraudulent insurance activity per claim.

Medical Provider May Have:

Provided an Inaccurate /Incomplete History	
2005	33
2006	16
2007	1
2008	20

Billed for Services Not Provided	
2005	32
2006	5
2007	2
2008	6

Upcoded or Billed for Excessive Treatments	
2005	47
2006	21
2007	5
2008	8

Unbundled Services	
2005	33
2006	16
2007	0
2008	1

Received Compensation for Referral to Medical or Legal Providers	
2005	11
2006	15
2007	0
2008	0

Hired or Paid Cappers/Chasers to Recruit Clients	
2005	0
2006	0
2007	0
2008	0

Fabricated Services	
2005	3
2006	1
2007	0
2008	3

Operated Without a License	
2005	57
2006	15
2007	1
2008	1

Other	
2005	7
2006	5
2007	7
2008	6

Note: There can be more than one act of suspected fraudulent insurance activity per claim.

Other Person or Entity May Have:

Received/Paid Compensation for Referral	
2005	0
2006	0
2007	0
2008	0

Fabricated Services	
2005	1
2006	0
2007	0
2008	2

Charged Inconsistent with Services Provided	
2005	1
2006	9
2007	1
2008	2

Provided an Inaccurate/Incomplete History, or Submitted False or Inaccurate Information to Obtain an Insurance Policy or to Reduce an Insurance Premium	
2005	368
2006	389
2007	236
2008	101

Other	
2005	2
2006	3
2007	9
2008	14

Note: There can be more than one act of suspected fraudulent insurance activity per claim.

Table 4. Number of Cases Reported/Referred to Law Enforcement Agency:

County Attorney's Office	
2005	9
2006	8
2007	7
2008	4

U.S. Attorney's Office	
2005	2
2006	5
2007	1
2008	15

Other Law Enforcement	
2005	69
2006	32
2007	44
2008	34

Workers' Compensation Board Abuse and Fraud Unit	
2005	31
2006	22
2007	36
2008	23

National Insurance Crime Bureau	
2005	218
2006	126
2007	209
2008	252

Other, Including U.S. Postal Authorities	
2005	1
2006	7
2007	3
2008	10

Note: These totals will not match the total number of reported fraud and abuse cases because not every case is referred to a law enforcement agency. These cases are not duplicate referrals.

Table 5. Amount of Money NOT Paid on Suspected Fraudulent Cases:

Year	Amount
2005	\$7,037,871
2006	\$5,666,380
2007	\$7,956,277
2008	\$9,731,510

Note: One auto insurer that reports a number of suspected fraud claims does not track and report the amount of money not paid on suspected cases.