Annual Report of Insurance Fraud and Abuse for 2016

Prepared by the Maine Bureau of Insurance
June 2017

Paul R. LePage
Governor

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DEPARTMENT OF PROFESSIONAL
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BUREAU OF INSURANCE
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July 6, 2017

Senator Rodney L. Whittemore, Chair
Representative Mark W. Lawrence, Chair
Joint Standing Committee on Insurance and Financial Services
100 State House Station
Augusta, ME 04333

Re: 2016 Annual Report – Insurance Fraud and Abuse

Dear Senator Whittemore, Representative Lawrence, and Honorable Members of the Joint Standing Committee:

The accompanying information constitutes the Maine Bureau of Insurance Annual Report on Insurance Fraud and Abuse 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 tables in this report provide aggregate data by line of insurance in which claimants, legal providers, medical providers, or others may have engaged in fraudulent activity; cases in which acts were reported or referred to law enforcement agencies; and the amount of money *not* paid out on suspected fraudulent acts.

The Bureau will continue to collect information on suspected fraudulent insurance acts in an effort to better understand 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,

Eric Cioppa
Superintendent

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The information published in this report is based upon the data reported by insurance companies to the Bureau of Insurance. With regard to tables in this report, the number of claims may not equal the number of cases of fraudulent activity, because one case may involve more than one fraudulent claim.

Number of Suspected Fraudulent Claims Reported by Line and Type of Insurance

Table 1 shows the number of suspected fraudulent claims reported by line of business for the most recent five-year period.

The total number of suspected fraudulent claims reported in 2016 increased 48% over 2015 due primarily to a large increase in reported Health claims. This spike is mainly the result of a high number of suspected fraudulent claims involving one provider and one insurer.

The number of claims related to Workers' Compensation insurance increased by nearly 14% in 2016, while General Liability decreased by 33% in 2016, the only category to reflect a decrease. The Other Lines category includes Disability and Professional Liability insurance claims.

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

	2012	2013	2014	2015	2016
Automobile	333	326	350	350	368
Property	228	216	185	193	198
Workers' Compensation	366	271	297	295	336
Health	229	484	881	312	888
General Liability	67	65	68	81	54
Life	9	18	6	14	17
Inland Marine	25	6	1	1	1
Other Lines	25	54	38	35	38
Total	**1,282**	**1,440**	**1,826**	**1,281**	**1,900**

Table 2 shows the number of suspected fraudulent claims by type of insurance. Personal Lines includes personal auto and homeowners insurance. Commercial Lines – which includes commercial auto, commercial general liability, group health insurance and workers' compensation -- reflects the highest number of reported claims in the last five years. This increase is mainly related to the same issue referenced in Table 1, involving one provider and one insurer.

Table 2: Number of Suspected Fraudulent Claims Reported by Type of Insurance					
	2012	2013	2014	2015	2016
Personal Lines	540	550	776	550	570
Commercial Lines	743	894	1,036	665	1,319

Number of Suspected Fraudulent Insurance Acts by Type

Tables 3 through 6 display the types of suspected fraudulent insurance acts, broken down by specific types of fraudulent acts.

Table 3 illustrates the number of cases reported in which a claimant may have committed a fraudulent insurance act. In 2016, the number of reported cases increased over 2015 for all categories except Faked/Exaggerated Injury which reflected a decrease and Inflated Financial Loss which remained the same. The Other category was used for cases involving a variety of acts such as prior claim history, misrepresented circumstances, theft and arson.

Table 3: Number of Cases of Suspected Fraudulent Insurance Acts Reported in Which the Claimant May Have:					
	2012	2013	2014	2015	2016
Faked/Exaggerated Injury	367	392	457	400	373
Faked Property Damage	231	196	191	180	225
Inflated Financial Loss	142	92	84	67	67
Staged Accident/Injury	82	65	70	43	60
Been Known to File Suspect Claims—Including Faking, Exaggerating, or Extending Total or Partial Disability	69	20	38	30	48
Other	126	140	103	180	241

Table 4 shows the number of reported cases of suspected fraudulent insurance acts, which may have been committed by a legal provider. As shown in the five-year period below, only four cases have been reported, these appearing for the first time in 2015.

Table 4: Number of Cases of Suspected Fraudulent Insurance Acts Reported in Which the Legal Provider May Have:					
	2012	2013	2014	2015	2016
Hired or Paid Cappers/Chasers to Recruit Clients	0	0	0	0	0
Charged Fees Inconsistent with Services Provided	0	0	0	4	0
Other	0	0	0	4	0

Table 5 depicts the number of cases in which a medical provider submitted suspected fraudulent claims. For 2016, there was an overall increase in the number of reported suspected fraudulent insurance acts from prior year-end. These were reported by a few insurers regarding actions by multiple providers. The other category includes actions of medical providers such as performing medically unnecessary procedures and overutilization.

Table 5: Number of Cases of Suspected Fraudulent Insurance Acts Reported in Which the Medical Provider May Have:					
	2012	2013	2014	2015	2016
Billed for Services Not Provided	22	22	29	11	29
Upcoded or Billed for Excessive Treatments	31	16	5	13	28
Unbundled Services	6	5	1	10	2
Provided an Inaccurate/Incomplete History	6	0	2	12	18
Fabricated Services	6	2	0	5	16
Operated Without a License	0	0	5	2	7
Received Compensation for Referral to Medical or Legal Providers	0	0	14	5	15
Hired or Paid Cappers/Chasers to Recruit Clients	0	0	0	5	15
Other	8	12	254	94	95

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 insurance acts. In 2016, the reported claims decreased in all categories, except for Received/Paid Compensation for Referral. The Other category includes impersonation, and receiving disability benefits while working.

Table 6: Number of Cases of Suspected Fraudulent Insurance Acts Reported in Which an Other Person or Entity May Have:					
	2012	2013	2014	2015	2016
Provided an Inaccurate/Incomplete History, or Submitted False or Inaccurate Information to Obtain an Insurance Policy or to Reduce an Insurance Premium	19	41	48	49	38
Charged Inconsistent with Services Provided	0	2	1	3	1
Fabricated Services	1	4	0	3	1
Received/Paid Compensation for Referral	0	0	0	0	0
Other	5	6	13	8	4

Number of Suspected Fraudulent Cases Reported/Referred to Law Enforcement & Others

Table 7 shows the total number of cases of suspected fraudulent insurance acts reported or referred to law enforcement and other agencies. For 2016, a total of 159 cases were reported or referred to law enforcement and other agencies. The Other category and the Other Law Enforcement category include the Maine State Fire Marshal's Office, Office of the Maine Attorney General, Maine Bureau of Insurance and local police departments.

Table 7: Number of Cases of Suspected Fraudulent Insurance Acts Reported/Referred to Law Enforcement and Other Agencies

	2012	2013	2014	2015	2016
National Insurance Crime Bureau	143	156	149	119	111
Other Law Enforcement	68	17	24	22	26
Workers' Compensation Board Fraud & Abuse Unit	11	25	5	4	5
District Attorney's Offices	1	25	22	0	2
U.S. Attorney's Office	2	0	2	3	0
Other, Including U.S. Postal Authorities	26	28	16	9	16
Totals	**251**	**241**	**218**	**157**	**160**

Note: Not all cases of suspected insurance fraud are referred to a law enforcement agency.

Amount of Money NOT Paid On Cases of Suspected Fraudulent Insurance Acts

Table 8 below shows the amount of money that was *not* paid on cases of suspected fraudulent insurance acts. The insurers reported $9,443,639 that may have been paid had the suspected fraud not been detected in 2016.

Table 8: Amount of Money NOT Paid on Cases of Suspected Fraudulent Insurance Acts

2012	2013	2014	2015	2016
$7,304,490	$8,563,088	$6,201,110	$5,295,633	$9,523,628.97

A significant portion of the increase in the 2016 amount is related to the health provider and insurer referenced in Table 1.