

# **INSURANCE FRAUD**

**Recognize it.**

**Report it.**

**Protect yourself.**



NC DEPARTMENT OF  
**INSURANCE**  
CRIMINAL INVESTIGATIONS





**Mike Causey**  
Insurance Commissioner

Insurance fraud in North Carolina is big business; in fact, sadly, it is a growing enterprise that costs each of us dearly. With approximately 10 percent of all insurance claims involving some degree of fraud — totaling nearly \$120 billion per year lost — we all pay for this deceit in the form of added insurance premiums.

Fraud occurs in every area of our insurance needs, from health care insurance to property and casualty insurance, life and disability insurance. Criminals exist with successful scams for every part of the industry, and each of us pay as a result. Also, because North Carolina citizens have endured hurricanes, floods and other natural disasters, we know firsthand that there are opportunists out there who are hitting us while we're down.

Your Department of Insurance is charged with maintaining order in the North Carolina insurance market. I am proud of the fact that our fight to keep insurance rates down has been largely successful, and one of the most important components of the effort to keep these rates down is our fight against fraud. Our Criminal Investigations Division has the mission of conducting criminal investigations and supporting prosecution of persons or other entities committing insurance-related crimes. Department of Insurance investigators are committed professionals who are dedicated to our cause and who take pride in our successes.

This brochure outlines some of the ways to recognize, report and protect yourself from insurance fraud. I encourage you to read it and to contact the Department for assistance whenever necessary.



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## CONTACT US

If you have any questions about insurance fraud or would like to report suspected insurance fraud, please contact the North Carolina Department of Insurance's Criminal Investigations Division. The Division is headquartered in Raleigh, and we have investigators based throughout the state. We depend on citizens and industry representatives to report illegal and suspicious insurance-related activities. Tips can be reported anonymously.

Criminal Investigations Divisions  
North Carolina Department of Insurance  
1201 Mail Service Center  
Raleigh, NC 27699-1201  
[reportfraud@ncdoi.gov](mailto:reportfraud@ncdoi.gov)

888-680-7684	Toll free
919-807-6840	Outside of N.C.
919-715-1156	Fax

# NC DEPARTMENT OF INSURANCE

## CRIMINAL INVESTIGATIONS DIVISION

The North Carolina Department of Insurance's Criminal Investigations Division is the nation's oldest and one of the most respected state insurance department fraud units in the country. Founded in 1945, the Division is charged with conducting criminal investigations and supporting prosecution of individuals and entities committing insurance-related crimes throughout North Carolina and across the country.

Investigative personnel are sworn law enforcement officers having statewide jurisdiction. The investigators are fully authorized to carry firearms, make arrests, conduct searches and present cases at all levels of prosecution. They are located throughout the state and work in close cooperation with the insurance industry, state and federal law enforcement agencies and prosecutors. The Division remains actively involved in conducting fraud investigations involving natural catastrophes, staged automobile accidents, body and repair shops, medical providers, agent embezzlement, unauthorized insurers, "insider fraud," durable medical equipment suppliers and more. You may know certain individuals who try to take advantage of the system by submitting fraudulent claims and justifying their actions with reasoning like, "Insurance companies are huge; they can afford this." "My premiums are too high – I'll show them!" "Everybody does it – what's the big deal?" THE BIG DEAL is that we all pay for this fraud and we must take steps to reduce it by reporting it.



In an environment where our citizens are victimized by insurance fraud or, in some cases, even seem to condone it, our mission becomes increasingly difficult. Difficult or not, the Criminal Investigations Division remains committed to the identification and prosecution of those responsible for insurance fraud.

# COMMON INSURANCE FRAUD SCHEMES

## AUTOMOBILE INSURANCE FRAUD

### AUTOMOBILE REPAIR

Review all repair shop paperwork carefully. Concerns noted in this area may involve one or more of the following:

- Falsely reporting lost or damaged parts
- Billing for excessive final cost
- Providing final statement containing false and/or unauthorized charges
- Charging for genuine parts when aftermarket or junkyard parts were actually used
- Charging for new parts when bonding or pounding
- Referring customers to medical or legal offices for a fee



### AUTOMOBILE ACCIDENTS

Individuals and/or organized accident “rings” that stage auto accidents involving one or more of the following:

- Sudden stops in front of you for no reason
- Disregarding or giving up right of way to cause an accident
- No real accident – occurred on paper only with phony drivers and passengers – more popular now due to less of a chance of actual injury and

less likelihood of police involvement

- Claims that list drivers, passengers, witnesses who do not exist and who claim excessive injuries – especially when compared to vehicle damage
- Driver has temporary vehicle registration and there is prior damage to one or both vehicles
- Unsolicited referrals or contacts by, from or to body shops, legal offices and medical offices
- Fraudulently reporting vehicles as stolen or vandalized in order to collect insurance money

## BILLING OF MEDICAL SERVICES

A variety of dishonest techniques may be used to fraudulently bill the consumer, his or her insurance company and/or public programs (Medicare, Medicaid, etc.) for:

- Treatment not provided or provided by someone other than doctor
- Alternative treatment provided
- Tests or supplies not conducted or provided
- Cancellation charge for unscheduled visits
- Charges for office visits not made
- Referral fees for services not rendered
- Unnecessary lab or other testing

## PROPERTY CLAIMS ADJUSTING

This type of fraud has been extremely prolific in North Carolina due to the recent hurricane-related concerns.

### ADJUSTING

Fraudulent claims adjusting usually involves illegal or questionable methods such as:

- Operating as an adjuster without the required license
- Adjuster requests that his or her name be the payee of the insurance check





- Adjuster requests that the payee endorse the insurance check over to him or her
- Adjuster handles all business in person, has no telephone number, address or other means of contact, and avoids use of mail
- Claim check larger than cost of repairs made
- Invoices include charges for services not rendered or for repairs not made

### **PROPERTY REPAIR**

This type of fraud usually involves unethical or incompetent building contractors. Take caution if:

- Contractor has no office or other legitimate place of contact to include telephone number, address, residence, references, etc., and avoids use of the mail
- Contractor requests full payment up front
- Contractor arrives at site unsolicited and often does not have proper equipment or supplies for the job
- Contractor unwilling to show (or does not have) license or liability insurance
- Contractor provides a very general estimate
- Bid seems “too good to be true”

### **MISCELLANEOUS INSURANCE FRAUD**

Life and disability fraud, embezzlement, false pretense, false statements, willful failure to pay group insurance premiums and other insurance-related crimes are occurring every day in North

Carolina. For example:

- Unfortunately there have been instances where an insurance agent has not forwarded premiums to the appropriate insurance company as required by contract. This situation often leads to charges of embezzlement and, on occasion, has caused entire agencies to become financially impaired and incapable of conducting further business.
- There also have been instances where an employer has willfully stopped paying premiums on employee group insurance plans without first having given the employees at least a 45-day written notice. As a result, employees are unaware they no longer have insurance coverage when the insurance company cancels the group policy for non-payment. Often the first sign of this occurs when the hospital or other medical provider informs the employee that their coverage has been terminated and that they are now responsible for the entire bill.
- The practice of convincing an insured to use an existing policy’s cash value to pay for a newer and unnecessary policy is called “churning” or “twisting.” Since agents earn their largest commission for the first year a policy is in effect, unscrupulous agents may “twist” the truth and “churn” a new, “better” or “cheaper” policy to the customer. This new policy may, in fact, have less favorable terms or fewer benefits. This is illegal.
- “Unauthorized insurers” are companies, plans or other arrangements that give the appearance of being authorized, licensed, registered or approved by state or federal regulators to engage in the business of transacting insurance. In other words, they look and act like legal insurance companies; however, they are unlicensed and may often engage in illegal acts. They often offer substantially lower rates and employ few, if any, underwriting principles. As a result, claims are paid slowly or not at all, and cash reserves are non-existent after having been misappropriated by unscrupulous owners. Regulation by state regulators and the United States Department of Labor is rigorously avoided and, sooner or later, the entity goes out of business leaving their “insureds” high and dry with unpaid claims and no insurance.



## HOW DO I PROTECT MYSELF?

- Always remember that if it sounds too good to be true, it probably is.
- Deal only with licensed agents and companies.
- If you have any doubt, call the North Carolina Department of Insurance's Consumer Services Division in order to confirm if an agent or company is properly licensed, or if you have any insurance-related questions.
- If an agent becomes evasive or does not explain things to your satisfaction, seek other assistance or consider going elsewhere for your insurance needs.
- Do not sign any blank application or claims forms.
- Never pay premiums in cash.
- Keep all your records and proof of payments.
- Report insurance fraud to the Investigations Division of the North Carolina Department of Insurance.

### AM I AT RISK IF I REPORT INSURANCE FRAUD?

No, you are not. Reporting insurance fraud in North Carolina in good faith exempts you from civil liability per the North Carolina General Statutes. That means that no one can take adverse action against you for reporting what you reasonably believe to be insurance fraud.

It is important to know that you can report information **ANONYMOUSLY** as well.



# NORTH CAROLINA DEPARTMENT OF INSURANCE DIRECTORY

In addition to the Criminal Investigations Division, the North Carolina Department of Insurance has several other divisions that work directly with consumers and members of the insurance industry.

The **Agent Services Division** protects our citizens by ensuring that insurance industry representatives have adequate knowledge of the industry and possess the moral and ethical characteristics necessary to operate in a fiduciary capacity. The division regulates all activities regarding licensing, appointing, and educating agents, brokers, adjusters, and others who sell insurance and adjust claims in North Carolina.

Agent Services Division  
North Carolina Department of Insurance  
1204 Mail Service Center  
Raleigh, NC 27699-1204  
919-807-6800

The **Consumer Services Division** very actively provides assistance to our citizens regarding insurance matters and, in cooperation with the Investigations Division, accepts information and complaints concerning insurance fraud.

Consumer Services Division  
North Carolina Department of Insurance  
1201 Mail Service Center  
Raleigh, NC 27699-1201  
800-546-5664 (toll free in N.C.)  
919-807-6750

The **Senior's Health Insurance Information Program (SHIIP)** provides service to the state's senior population by educating the public on seniors' health insurance matters with a concentration on Medicare, Medicare supplements, managed care, and long term care insurance. SHIIP trains volunteer counselors throughout North Carolina, operates a toll free hotline in Raleigh, and develops educational materials for use by our citizens.

SHIIP  
North Carolina Department of Insurance  
11 S. Boylan Avenue  
Raleigh, NC 27603  
800-443-9354 (toll free in N.C.)  
919-807-6900  
[www.ncshiip.com](http://www.ncshiip.com)

The **Office of the State Fire Marshal** is comprised of the following six divisions: (1) Engineering (administers the state building code), (2) Manufactured Buildings (construction standards and warranty obligations), (3) Risk Management Division (administers the self-insurance fund for state-owned property and vehicles), (4) Fire and Rescue Commission (handles the state voluntary certification system), (5) Prevention, Programs, and Grants (administers the Firefighters' Relief Fund, the Rescue Relief Fund, runs injury prevention programs throughout the state, and administers matching grants programs to volunteer fire departments), and (6) Fire and Rescue Training and Inspection (provides training to fire departments, rescue squads, and emergency workers and provides insurance ratings for fire departments).

Office of State Fire Marshal  
1202 Mail Service Center  
Raleigh, NC 27603  
800-634-7854 (toll free in N.C.)  
919-661-5880  
[www.ncdoi.com/osfm](http://www.ncdoi.com/osfm)

The **Eastern Regional Office** in New Bern, and the **Western Regional Office** in Asheville serve North Carolina's easternmost and westernmost counties as links to the Raleigh office. Both offices handle consumer complaints, agent inquiries and questions concerning manufactured housing, state building codes, fire and rescue, and SHIIP. Both offices act as a liaison to county and local government officials, legislators and regulated entities.

Eastern Regional Office  
North Carolina Department of Insurance  
1316 Commerce Drive, Unit D  
New Bern, NC 28562  
252-514-4813

Western Regional Office  
North Carolina Department of Insurance  
537 College Street  
Asheville, NC 28801  
828-251-6483

The N.C. Department of Insurance would like to thank the North Carolina Association of Insurance Agents, Inc. for its generous support; 1,000 copies of this document were printed using \$643 of NCAIA Surplus Grant monies.



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