

The 'Undead' and Other Life Insurance Fraud

By: Terry Sheridan, Bankrate.com

There's the honest way of collecting life insurance money -- when a person dies and names you as the beneficiary -- and then there's the dishonest way -- when you deceive insurers, family members or business partners. That's life insurance fraud, a crime that costs the industry hundreds of millions of dollars annually, says James Quiggle, spokesman for the **Coalition Against Insurance Fraud** in Washington, D.C. And it translates to higher rates for policyholders.

Life insurance fraud can take extreme forms, such as:

Faked deaths. Schemes are cooked up to collect on the insurance of a person who's still alive or in some cases never even existed.

"Double Indemnity"-style plots. In the iconic 1940s movie, Barbara Stanwyck and insurance man Fred MacMurray plot to kill her husband for a big insurance payout. Today, a warning sign might be if a spouse or other family member suddenly asks a person to buy or increase life insurance coverage.

Quiggle's coalition says other types of life insurance fraud are less sensational.

Pocketed premiums. You get unexplained cancellation notices after your insurance agent tells you to make out the check for your new life insurance policy to him, not to the insurance company. You eventually find that you have no policy, and your agent has your money.

Upgrade "churning." Your agent convinces you to upgrade to a "better" (and more expensive) policy. It actually offers nothing more than the first one did, but the agent collects a nice commission.

Life insurance scams work in a number of ways, but there are "continuing variations on certain themes," all involving misrepresentation, says Julie McPeak, Tennessee insurance commissioner and chair of the National Association of Insurance Commissioners' life insurance committee.

Faked deaths tough to get away with

Cases involving faked deaths tend to capture the public's fascination. But they're really not so common, says private investigator Ed Webster, owner of Orion Investigations in New York, since the schemes are difficult to pull off.

That's something a man in his late 40s from Massapequa, N.Y., discovered last year when he attempted to fake his own drowning death to collect at least \$410,000 from life insurance policies and start a new life in Florida. According

"Watch for blanks. Don't sign a policy or other document with blank spaces that could be filled in fraudulently later on," says James Quiggle, spokesperson for the Coalition Against Insurance Fraud.



Coalition Against Insurance Fraud

to media reports, his wife blew the whistle when she found emails detailing the plan. The man was sentenced to 90 days in jail and five years' probation after pleading guilty to conspiracy.

Numerous faked-death frauds were spun out of the Sept. 11, 2001, terrorist attacks, as phony insurance claims were filed on behalf of World Trade Center "victims" who were fictitious or were very much alive because they'd been nowhere near ground zero.

Prosecutors say a more recent plot involved funeral home employees in the Los Angeles area who buried a coffin filled with a mannequin, cow meat and bones in hopes of collecting more than \$1 million on an insurance policyholder who never existed.

Most life insurance fraud involves forgery

Faked-death cases make for juicy TV news stories and ripped-from-the-headlines cable movies, and the same could be said of murder plots for insurance money. But supervisory special agent Joshua Tison, of the insurance fraud section of the Pennsylvania Office of Attorney General, says most of the fraud lies in forgeries.

Someone other than the policyholder takes control of the insurance policy and changes the beneficiary through "nefarious means," Tison explains. "That's the bulk of the fraud we see."