

Faking Death to Collect Life Insurance Money: A Life on the Run

By: Emmet Pierce

Investigators and a coalition charged with fighting fraud say the life insurance industry is waging a quiet but ongoing battle to prevent dishonest policyholders from making insurance claims by faking their own deaths.

"Life insurance companies are on high alert for fake death," says James Quiggle, spokesperson for the **Coalition Against Insurance Fraud** (CAIF), an alliance of consumer groups, insurance companies and government agencies. "It happens often enough that these crimes are a permanent part of their investigative portfolios. They are well-mobilized. They have the resources to try to track down the scammers."

The effort to screen out potential fraud begins soon after a person seeks a life insurance quote. Anyone who acknowledges a criminal background may be examined closely, depending on the size of the policy, says Gene Robertson, supervisor of investigative services for Pennsylvania-based Erie Insurance Group. However, in most cases no deep background checks occur until something happens that makes a life insurance claim seem suspicious.

Huge potential for insurance loss

There is no data to pin down exactly how much fake-death scams cost insurance companies in the U.S. each year, says Quiggle. Steven Rambam--an investigator for three decades and director of Pallorium Inc., an investigative agency with offices in New York and Texas--says individual life insurance companies in the U.S. face could huge losses if they drop their guard against fraudsters.

"The amount of loss to the company, if they are not vigilant about pursuing fraudsters, can be massive," says Rambam. "There is one carrier--approximately eight years ago their profit from the life insurance side was \$840 million and we had investigated claims for them ... that saved them \$36 million. Their profit would have gone down almost 4%."

Life insurers often decline to discuss life insurance fraud and how they deal with it, and several declined to comment for this story.

"The processes we employ to investigate death claims is proprietary information," says Janet Gillespie, a spokesperson for Prudential. "Prudential continually works to stay on top of the newest developments in fraud trends and consistently adapts claims handling and investigations to meet the challenges they bring."

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Coalition Against Insurance Fraud

A lack of hard facts

Because there is no hard data on how many people fake their own deaths to cash in on life insurance, opinions vary about how widespread the crime is. Jack Dewald--an insurance broker based in Memphis, Tenn. and the former chair of the Life and Health Insurance Foundation for Education (LIFE) governing board--says most "bad elements" are weeded out in the policy application process.

Dewald, whose career extends back 30 years, says his insurance brokerage has never encountered a faked death.

Robertson says the problem is real, although it's much harder to fake a death in the U.S. than in less developed countries, where death certificates can be purchased easily by bribing medical examiners and other local officials.

When deaths are faked in other countries, the perpetrators often "fade into the woodwork," he says. Because prosecutions can be difficult - even on U.S. soil - the main focus of many insurers is avoiding payouts for false claims.

"It clearly is a felony, but prosecutions in this arena are very unusual," Robertson says. Even in America, "prosecuting is a hit-or-miss situation, depending on the state in which it occurs."