

Insurance fraud: 'It's all over the place' and you should care about it, officials say

By: Steve Jordan, World Herald staff writer

There's a battle on for your insurance dollars, and it's not about Obamacare or dueling TV commercials.

The conflict pits company investigators, police officers, prosecutors, IT professionals and others against legions of big-time and small-time crooks, who steal billions of dollars every year through insurance fraud.

The crimes can be as small as a repair shop padding costs so a customer doesn't have to pay a \$100 deductible, or as big as a nationwide ring of thieves who deliberately stage auto accidents to collect personal injury damages.

"It's all over the place," said Douglas County Attorney Don Kleine, who spoke this week to 150 or so fraud fighters at a conference sponsored by the Nebraska Department of Insurance and held at the Strategic Air Command & Aerospace Museum.

People should care, state insurance director Bruce Ramage said, because money paid fraudulently to those he called "scoundrels" is a cost that insurance companies pass along to consumers or, in the case of federal health insurance programs like Medicare, to taxpayers.

Ramage said the department goes especially hard after criminals whose actions endanger the public, such as a dishonest agent who pockets clients' premium checks and never actually gets them insured.

Although nobody knows for sure, the industry estimates its annual fraud losses at \$80 billion, or about \$950 per family. One estimate holds that 30 percent of insurance applications — just the applications — have fraudulent elements, from fudged income estimates and exaggerated values to outright lies about smoking or medical conditions.

"If they lie on the application, we're not going to pay it," said one of the attendees at the conference, special investigator Carleen Gerjevic of Central States Health & Life Co. in Omaha.

[A 2014 survey of 42 property insurance companies by the Coalition Against Insurance Fraud, an industry group, said the consensus was that suspicious activity is increasing and fraudsters' tactics are becoming more sophisticated.](#)

"Since this crime is designed to go undetected, the fraud-fighting community can only guess at the extent of crime and dollar losses," the report said.

A 2014 survey of 42 property insurance companies by the Coalition Against Insurance Fraud, an industry group, said the consensus was that suspicious activity is increasing and fraudsters' tactics are becoming more sophisticated.



**Coalition Against
Insurance Fraud**

Companies complain about a lack of return on the money they invest in anti-fraud efforts, although industry officials said the returns should improve as detection systems become more effective and economical.

To encourage people to report suspected fraud, governors in Iowa and Nebraska are signing proclamations this month calling attention to the issue.

Charles Starr, anti-fraud chief for Nebraska, said the share of fraud cases that are caught and prosecuted is small, although no one knows exactly how small. "It's very important for people to be aware of it."

Jared Kirby, acting chief of the Iowa Insurance Fraud Bureau, said the state had 611 cases of proven insurance fraud in 2014, 738 in 2015 and 415 in the first half of this year. Some of the increase might be due to more reporting, he said, but he thinks the amount of fraud is growing, too.

In general, he said, cases fall into two categories: "hard fraud," where deliberate criminal intent is involved; and "soft fraud," where a person exaggerates a genuine loss or otherwise bends the truth.