PROPERTY CASUALTY 360°

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How you can combat insurance agent fraud

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Coalition Against Insurance Fraud

Along with my job as Claims Manager at Golden Bear Insurance Company, I am our Special Investigation Unit Assistant Coordinator. It's my responsibility to ensure my colleagues and I are well equipped to identify and report suspected insurance fraud to protect our insured customers.

Under California's Code of Regulations Insurance Fraud Prevention Unit, insurance organizations have a duty to establish a special investigation unit, train employees in fraud detection, detect red flag indicators of fraud and report suspected insurance fraud to the California Department of Insurance.

Even if you don't do business in California, all insurers should promote adherence to this regulation organically, whether it falls into their job description or not. It's equally as important for insurers who *aren't* legally responsible for protecting their company and clients from insurance fraud to be informed.

Defining agent fraud

We often think of insurance fraud as customers inflating their claims or intentionally damaging their property to collect on a claim. However, suspected insurance fraud includes any misrepresentation of fact or omission of fact pertaining to a transaction of insurance including claims, premium and application fraud. Insurers are well trained to identify homeowner, workers' compensation, and auto fraud and take the necessary steps to combat it. But, how many insurers would be able to determine whether one of their agents were committing fraudulent behavior?

Fraudulent agents can use a variety of different schemes to make money. One common scam is premium pocketing. Instead of buying coverage on behalf of a customer, agents can pocket that money for themselves, leaving their wallet full but their customer unprotected. This creates problems both for the customer and for the coverage provider. It's important to keep a close eye on the premiums that are coming in, and flag anything you deem suspicious.

Another form of fraud to be watchful of is agents who try to oversell a customer insurance coverage they don't need (for example, if they have another policy that already covers that risk), or sell clients policies that don't exist. Many customers looking for coverage don't know exactly what their policy should include, and look to their agent as a trusted source of information.

Insurance fraud can come in many forms, so it's not always easy to identify. If you see suspicious behavior, it's better to report it to the appropriate party quickly, rather than risk losing your insured's trust.

The state of the industry

Insurance risks are evolving rapidly. New technology and innovations that gain popularity overnight make it a challenge for insurers to keep their finger on the pulse of what's risky. Because of this, it's crucial that insurers stay on top of new exposures and spend time talking to consumers about what they need from an insurance product.

New areas of coverage take time to develop and be tested. Many consumers are in the dark about what kinds of coverage they need, what should be included in a policy and how much it should cost them. The speed at which risks are emerging creates an opportunity for insurance agents to take advantage of unsuspecting customers and partnering insurance companies.

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