

Auto insurance fraud is rising in Pennsylvania

By: Jim Lewis

It's often a crime of panic, not prudence, of chaos, not design, and Tom Donahue, a former insurance claims investigator, could see the pattern in the automobile crashes he scrutinized.

A driver would leave a bar, wreck the car on the way home, flee the crash and call police, claiming the car was stolen. What made Donahue suspicious? The fictitious thief always seemed to be headed toward the driver's home.

"It was never in the opposite direction," said Donahue, now the executive director of the Pennsylvania Insurance Fraud Prevention Authority, a state panel that parcels out millions of dollars from insurance companies to law enforcement agencies that investigate insurance fraud.

After a five-year period of decline, auto insurance fraud increased by about 34 percent in 2017 in Pennsylvania, from 1,525 complaints in 2016 from insurers and others to 2,045, according to figures provided by the authority.

Created by the General Assembly in 1995 to battle insurance fraud, the authority collects an annual assessment from insurers that write policies in Pennsylvania and funds investigation efforts across the state. Last year, 14 agencies, including special units that investigate insurance fraud in the Pennsylvania Attorney General's office and the Lehigh County District Attorney's office, split \$12.5 million, none of it tax dollars.

The investment helps reduce fraud, and that keeps insurance premiums lower, though it's hard to quantify the savings, Donahue said. In Pennsylvania, auto insurance fraud costs drivers an estimated \$300 annually, he said.

Nationally, fraud steals \$80 billion a year across all types of insurance, including auto, life insurance, commercial liability, medical insurance and Worker's Compensation, according to the Coalition Against Insurance Fraud, a Washington, D.C. nonprofit alliance of insurers, consumer groups and government agencies.

"The costs of scams inevitably get passed down to others' premiums," said James Quiggle, a spokesman for the coalition.

Fraud takes \$2 billion a year in Pennsylvania across all types of insurance, the authority estimates, though auto insurance fraud is the most common investigated. Auto insurance fraud accounted for 55 percent of all fraud complaints in the state in 2017, and 79 percent of all arrests.

Among the more common cases of auto insurance fraud: false reports of stolen vehicles, which made up 12

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Coalition Against Insurance Fraud

percent of all fraud arrests in 2014, topping arrests for bogus or inflated injury claims and false proof of insurance, according to the authority.

In most Pennsylvania counties, insurance fraud cases are investigated by the Pennsylvania Attorney General's office, and auto insurance fraud is the most common. In 2017, the Attorney General received 1,205 referrals related to auto insurance policies in 2017, about half of all alleged insurance fraud referrals presented to the office's Insurance Fraud Section, according to Joe Grace, a spokesman for Attorney General Josh Shapiro. The office opened 233 investigations and charged 191 people.

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"Drivers are making a panic reaction - they feel cornered and in a lot of trouble with law enforcement," he said. "The easy way out, it seems, is to lie."

Insurance companies are likely to investigate claims involving car theft, reducing the chances of someone committing fraud, Quiggle said.