

INDICATORS OF APPLICATION FRAUD

Individuals & Professionals Involved/Circumstances & Documents

Detection—The First Line of Defense

PART 1 OF 2

MOST claims are legitimate, but some are fraudulent.

Therefore, it is appropriate to review all claims for possible fraud. Detecting fraud is aided by familiarity with industry identified fraud indicators.

INDICATORS assist in the identification of claims which merit closer scrutiny. The presence of an indicator (or several indicators) do not prove fraud. Indicators of possible fraud are not actual evidence, they only “indicate” the need for further investigation.

SOME claims, although questionable, may be paid due to a lack of conclusive evidence of fraud. However, they should be submitted as questionable claims to NICB for further review.

DOUBLE asterisk (**) indicates the possibility of organized group activity.

For additional information on the following indicators, please see the NICB’s Interactive Indicator Guide. This Guide is a software application providing the concern associated with each indicator as well as suggested resolution steps. The Interactive Indicator Guide is

available from the NICB Document Download Center (nicbdocs.org).

Initial Indicators: Usually identified in the initial/early processing of the application or claim.

Subsequent Indicators: Usually identified as the application or claim

processing continues. May also suggest areas of additional inquiry.

When viewed as a PDF, utilization of the bookmark function will provide the ability to choose an indicator topic or Control F can be used to rapidly locate specific key words within the indicators (e.g. address, receipts, police, etc.).

Application Indicators (Initial)

- Address listed on previous information is the same as the address on the application, yet the middle initial, date of birth or other minor detail are different from previous information.
- Address of a local business (e.g. bicycle shop, deli, etc.) is provided as the address to send insurance documents to instead of a residence.
- Address of residence and policy mailing address are different.

- Address of work or residence is not near the agency (if an in person application). **
- Address provided for all correspondence is out-of-state.
- Address provided is inconsistent with employment/income. **
- Address provided is non-existent, incomplete and/or incorrect.
- Address where the vehicle is garaged does not match mailing address or driver's license address.
- Documentation information provided is minimal and/or incomplete. **
- Documentation is completed but returned unsigned or mails in the signed documentation which was not signed in agent's view. **
- Driver's license has been possessed for significant period, but no prior vehicle ownership and/or insurance. **
- Driver's license number is invalid.
- Information presented by one or more parties in a claim or information available to the insurance company indicates a potential false or stolen identity.
- Loss payee is not a legitimate lending institution (e.g. bank or finance company). **
- Online application process is used to submit multiple applications and/or have multiple policies in force. **
- Only one policy type (e.g. auto only, no renters or homeowners, etc.), policy limits either minimal or appear to be unusually high, especially medical payment limits. **
- Past claim questions are left unanswered.
- Past employers, past addresses, etc. not provided. **
- Past insurance carrier or proof of prior coverage is not be provided. **
- Past insurance coverage is not reported (or proof of prior coverage provided) although the individual's age would suggest prior ownership of a vehicle and/or property. **
- Past policy has significant lapse in coverage. **
- Phone number (and/or address) provided is incorrect and/or often disconnected or never in service. **
- Third party is used to apply for insurance (sometimes including premium payments).
- Vehicle insured is older with comprehensive/collision with zero or low dollar deductible. **
- Youthful driver insures high value vehicle. **
- Youthful driver insures vehicle with high liability limits. **
- Youthful driver insures vehicle with no deductible for comprehensive/collision. **
- Zip Code does not match the city on the application.

Application Indicators (Subsequent)

- Accidents, moving violations or points on their license were not disclosed (especially if recent).
- Address has multiple unrelated individuals insuring vehicles and providing the same address as the garaging location.

- Address is a high rise apartment complex, but no apartment number is listed.
- Address is not permanent and may list post office box (mail drop), halfway house or friend's house as an address. **
- Address provided is a "Mailbox Warehouse (these are companies that are paid to forward mail that is delivered to them). **
- Address to mail the policy documents to, is an unusually long distance from the applicant's/insured's employment address.
- Agent/producer did not conduct a vehicle inspection (an inspection of the vehicle to ensure authenticity and condition is the most effective way to prevent insurance fraud upon "binding" the policy for coverage in any subsequent claims). **
- Drivers and or household residents are unreported.
- Inspection records of the vehicle indicate the vehicle is driven more than the annual rate listed on the policy.
- Mail to the policyholder from the company comes back to the agency as "returned mail".
- Multiple policies insuring the same vehicle. **
- Online quotes are provided multiple times prior to purchase.
- Online quotes show significant personal information changes from one quote to the next.
- Passengers live at same address as the insured, but not listed on the policy as residents in household.

Business Indicators (Initial)

- Business coverage is being sought by company/individual who has never been in this or any type of business in the past.
- Financial backing for the business is not apparent.

Individual/s Involved Indicators (Initial)

- Cannot be contacted by phone, cell phone or voicemail. **
- Cannot produce or refuses to produce verifiable proof of identity. **
- Commercial policy quotes are requested, then later buys a personal lines policy for the same vehicle.
- Documents that appear altered are provided.
- Enters agent's office at noon or end of day when agent and staff may be rushed. **
- Identification cannot or will not be produced (e.g. driver's license), or has a temporary, recently issued, or out-of-state driver's license/state identification card. **
- Income is not compatible with value of vehicle/vessel to be insured. **
- International Driver's License (IDL) as proof of identity/residency rather than a valid foreign driver's license issued by the applicant's home nation/state.

- Lived in the state for a significant period of time but provides an out-of-state driver's license or state identification card.
- Mail and/or telephone avoided; provides all documents and handles all business transactions in person. **
- Name in email address differs from name of insured. **
- Name on personal lines application/policy has wording inconsistent with personal lines policy, such as "co.", "inc." or any non-name wording.
- Phone number is not provided or states they do not have a home telephone or cellular phone and/or they will contact the adjuster or agent. **
- Purchases an auto policy and a renter's policy but cannot provide any proof of residency.
- Questions agent closely on claim handling procedures. **
- Social security information provided is wrong or false or refused to be given. **
- Unemployed, with current employer less than six months, self-employed (especially if self-employed in transient occupation such as roofing or asphalt). **

Individual/s Involved Indicators (Subsequent)

- Check fraud (past or current) is discovered during the underwriting process.
- Commercial driver's license qualified/possessed but not disclosed.
- Driver different than the named insured listed on claims. **
- Lack of multiple forms of non-government issued identification (e.g. library card, credit cards, bank cards, checks, motor club cards, health insurance cards, etc.).
- Loss history reflects prior loss(es) in other state(s).
- Meetings (in person) avoided, resists communication over the telephone and supplies all information by mail or email only. **
- Multiple identities and/or social security numbers. **
- Owns another, less expensive vehicle registered & insured in another (possibly home) state.
- Unsolicited, new "walk-in" business, not referred by existing policyholder. **

Payment Indicators (Initial)

- Policyholder wishes to pay all premiums by credit card over the phone.
- Premium down payment and future premium payment(s) are made with out-of-state checks.
- Premium paid in cash or by other non-traceable method (e.g. cashier's check or money order). **

Payment Indicators (Subsequent)

- Bank account information is the same for multiple policies with different named insureds. **

- Bank information is provided from accounts that are invalid, frozen accounts, not authorized or no account-unable to locate.
- Checks (electronic or paper) are returned for NSF and/or incorrect routing or account numbers. **
- Credit card information does not match individual's personal information (on single policy or multiple policies).
- Electronic or conventional overpayment made.
- Multiple payments from different sources (e.g., initial payment EFT, another payment credit card or EFT from a different bank account). **
- Multiple payments in first 30 days.
- Policy is allowed to cancel after the initial payment.
- Policy is bound in person at the agent's office on a Sunday or holiday.
- Price is no object is indicated when applying for coverage. **
- Routing number/account number of a corporate bank account is used to pay for a personal lines policy (and vice versa).

Policy or Coverage Indicators (Initial)

- Complete (Full) coverage is requested for or in force for older vehicle and states no existing damage. **
- Exceptionally high liability limits are requested or are in force for older vehicle inconsistent with applicant's employment, income or lifestyle. **
- Number of vehicles is more than the number drivers listed on the policy.
- Numerous vehicles on policy with only one listed operator.

Policy or Coverage Indicators (Subsequent)

- Loss occurs at a time prior to the time stamp of online application.
- Numerous vehicles are added to the policy without adding additional drivers.
- Policy obtained from an agent not located in the close proximity to insured's residence or work. **

Technical/Computer Issues Indicators (Initial)

- IP (Internet Protocol) address and/or "cookie" has multiple policies or from a foreign country.
- IP (Internet Protocol) address is assigned to a "public computer" (e.g. libraries, internet cafes, hotels, etc.).
- IP (Internet Protocol) address geographical location does not match corresponding telephone number, area code, address, or zip code.

Vehicle and/or Vessel Indicators (Initial)

- Address of vessel docking location or vehicle garaging location is not the same as the policy address.

- Existing damage is not reported for older vehicle.
- License plates of vehicle are from out-of-state.
- Lien holder is an individual, rather than a bank or financial institution. **
- Lien holder on the vehicle is not reported (especially for new and/or high value vehicle purchased with cash). **
- Photos submitted in lieu of inspection are questionable.
- Purchased for cash with no bill of sale or proof of ownership. **
- Teenage children in household and vehicle is modified to fit teenage taste, but teens are not listed as primary/main drivers.
- Title (without pictures or the car being available for inspection) provided as proof of ownership.
- Use of vehicle as stated on the application/policy (e.g. personal) doesn't match vehicle design or intended function (e.g. a "delivery van" insured as a private passenger vehicle or a "shuttle type", high passenger capacity vehicle insured as a private passenger vehicle by an unmarried non-parent).
- VIN is not correct (failed edit, not manufactured, inconsistent with model). **
- Vehicle listed on policy not generally thought of as a typical vehicle for the applicant.
- Vehicle rated as "pleasure", but policyholder's employment address requires an extensive daily commute.

Vehicle and/or Vessel Indicators (Subsequent)

- Anti-Theft device is indicated on the policy but the vehicle does not have one.
- Inspection by the state is not current - if required (this may indicate the vehicle has mechanical problems & would not pass the inspection).
- Paint shows evidence of being recently redone (to potentially disguise its identity as a stolen vehicle).
- Part identification numbers show evidence of being changed/re-stamped.
- Registered to individuals not on the application or policy. **
- Title or authenticated bill of sale for vehicle cannot be verified.
- VIN examination uncovers discrepancy between VIN listed on title/bill of sale, VIN plate on dashboard, and/or manufacturer's sticker on door. **
- VIN tag attached differently than normal for the make, model or year indicating a changed or altered VIN.
- Vehicle listed on policy is not registered to the policy address.