



INSURANCE FRAUD RED FLAGS



INTRODUCTION

It is estimated that at a minimum 10% of all property and casualty claims contain some element of fraud. The first step in identifying insurance fraud is to recognize some of the common indicators or "red flags". These red flags are facts or circumstances that will require further investigation into the nature of the claim. It is important to note that most claims are legitimate and the presence of one or more of these red flags is not controlling. There is no substitute for a thorough, good faith investigation. The following list is meant to be comprehensive but not exhaustive. Your comments and suggestions are welcome.

PROPERTY

Common Indicators

- Insured is overly aggressive in pursuit of a quick settlement.
- Insured is unusually knowledgeable regarding insurance terminology and the claims settlement process.
- Insured handles all business in person, thus avoiding the use of the mail.
- Insured is willing to accept an inordinately small settlement rather than document all losses.
- Insured contacts agent to verify coverage or extent of coverage just prior to loss date.
- Insured is recently separated or divorced.
- Suspiciously coincidental absence of insured or family at the time of the accident.
- Loss occurs just after coverage takes effect, just before it ceases or soon after it has been increased.
- Loss is incompatible with insured's residence, occupation and/or income.
- Commercial loss that primarily involves seasonal inventory or equipment and that occurs at the end of the selling season (e.g., ski inventory loss in the spring, farm machine loss in the early winter).
- Involved property is significantly overinsured.
- Existence of multiple policies covering the same loss.
- Documentation submitted is questionable, e.g., no original documentation available.

Arson-Scene

- Multiple points of origin.
- The fire exhibits rapid spread, intense heat, signs of explosion and/or extensive destruction.
- The fire occurs at a time of day, or a day of the week, when it is likely to go undetected for a longer period of time.
- Sprinkler system turned off; fire doors propped open; fire or burglar alarm deactivated.
- Unusual presence of flammable liquids, or containers from such liquids, in or around the structure.

Arson-Scene (Cont'd)

- Premises normally locked and secure but not on date of loss.
- Fire starts in closet or other area where there is no expected source of ignition.
- Signs of artificial draft or combustion aids: windows open before fire, hole in walls and/or ceilings before fire, etc.
- Timing devices connected to energy devices (hot plates, irons, etc.).

Arson-Motive

- Absence of remains of items normally found in a home or business (e.g., office equipment, furniture, normal inventory, business records).
- Possibility fire set to cover up burglary, tax fraud, etc.
- The insured's business/employment is seasonal in nature and the fire occurs at the end of the season.
- Value of property has decreased due to changes in the neighborhood.
- The property is listed for sale, or under renovation and/or is vacant or soon to be vacant.
- Structural damage existed prior to the fire, or there were other needs (such as a need to expand or remodel) which would necessitate repairs/renovations.
- The structure needs to be demolished or the property is more valuable without the existing structure.
- Commercial machinery/contents were obsolete or unsaleable.
- Multiple mortgages on property.
- Insured is experiencing financial difficulties, such as marital problems, unemployment, medical or legal expenses unrelated to this claim, gambling and other vices, business declines or defaults or past due debts.
- Property does not sell readily due to location, zoning, obsolescence, crime in area, etc.
- Decline in business due to recession, increased competition, labor problems, etc.





PROPERTY (Cont'd)

Arson-Insured

- The insured is calm and shows little concern, either while at the scene during the fire, or after being told that the fire was intentionally set.
- Short period of time between the departure of the occupant and the fire.
- The insured has an alibi that appears too convenient.
- Insured is in possession of the insurance policy when it normally would have been located at the fire scene.
- Arrangements made for survival of family pets prior to the loss.
- Vehicles, which had previously been kept close to the structure, were moved prior to the fire.
- Arrangements made for the survival of irreplaceable items of sentimental value (e.g., family photos, jewelry, silver).
- Building or business was recently purchased.
- Insured had a loss at the same site within the preceding year.

Burglary/Theft

- Suspicious absence of insured/family at time of loss.
- Total dollar amount appears exorbitant.
- Insured paid cash for all purchases.
- Insured cannot provide cancelled checks or credit card records for recent purchases of significant value.
- Insured can only produce photocopies of checks, receipts, etc., in lieu of originals.
- Insured cannot recall date or place of purchase of newer items.
- Target items not taken (silver, electronics).
- Receipts are always in whole dollar amounts.
- Items stolen are allegedly all top brand merchandise.
- Loss includes a large amount of cash.

Burglary/Theft (Cont'd)

- No evidence of forced entry and insured has the only keys.
- Burglar alarm system installed but not operational.
- Evidence of forced entry from inside-out, not outside-in.
- Large or numerous items taken but no evidence that a van or truck was used.
- Crushed carpet, vinyl marks or dust not present where insured states items were located.
- Insured observed moving things into or out of the dwelling before loss.
- Losses are questionable, e.g., home stereo stolen out of car, fur coat stolen on vacation.
- No police report in situations where police would normally investigate.
- Insured's loss inventory differs significantly from police crime report.
- Insured provides numerous receipts for inexpensive items but no receipts for items of significant value.
- Insured provides receipts with incorrect or no sales tax figures.
- Insured provides receipts with no store logo.
- Loss inventory indicates unusually high number of recent purchases.
- Insured provides two different receipts with same handwriting or typefaces.
- Insured provides single receipt with different handwriting or typefaces.
- Insured provides credit card receipts with incorrect or no approval code.



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