

PROSECUTING INSURANCE FRAUD



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AGENDA

- ★ Introduction
- ★ Fraud Unit
- ★ Statistical Data
 - Insurance Markets
 - Texas
- ★ Current Trends
- ★ Statutory Provisions
- ★ Fraud Examples
- ★ Preventing and Investigating Fraud
- ★ Conclusion/Questions



TDI Fraud Unit

- ★ Duties - Chapter 701 Texas Insurance Code
 - ★ CCP and TCOLE recognized **Law Enforcement Agency** since 1995*
 - ★ 23 State Police Investigators
 - Austin, DFW, Houston, San Antonio, McAllen
 - ★ Prosecution Unit since 2005
 - ★ 6 Prosecutors Assigned as Assistant DA's
 - Austin, Dallas, Fort Worth, Houston, San Antonio, (also deputized in other jurisdictions)
- * Fraud Unit is LE (Rest of TDI is regulatory)



INSURANCE FRAUD:

- ★ Can involve any type of coverage
- ★ Is not limited to any particular class of society
- ★ Can involve large, or small, sums of money
- ★ Is committed by doctors, lawyers, teachers, preachers, agents, adjusters, etc., etc...
- ★ Can be committed against a company or by company employees against policy-holders; could even be committed by a corporation



For Purposes of this Discussion

★ Fraud = Criminal Conduct*

- Violation of Penal Law
 - Texas Penal Code
 - Federal Laws
 - Insurance Code Criminal Provisions
- Requires Proof Beyond a Reasonable Doubt for Conviction

★ Offenses are not Regulatory, Administrative or Civil (although may also be these areas and covered by other TDI sections not Fraud Unit)

* Not all fraud is criminal



Criminal Punishment Ranges

★ Felony offenses

- State Jail – 180 Days – 2 Years State Jail
- 3rd Degree – 2-10 Years in TDCJ
- 2nd Degree – 2-20 Years in TDCJ
- 1st Degree – 5 – 99, or Life in TDJC
- All Offenses = Up to a \$10,000 fine

★ Hybrid offenses

- Certain TIC offenses may be considered felony offenses but have varied punishment ranges



Insurance Markets

Rankings by Country

Rank	Country	Premium Volume (In Millions US \$)	Market Share
1	United States	\$2,141,018	38.78%
2	Japan	\$471,295	8.54%
3	Peoples Rep. China	\$466,131	8.44%
4	United Kingdom	\$304,208	5.52%
5	France	\$237,644	4.30%
6	Germany	\$215,021	3.89%

Source: NAIC 2016

Insurance Markets

Texas **Global** Insurance Ranking

Rank	Jurisdiction	Premium Volume (In Millions US \$)	Market Share
1	Japan	\$471,295	8.54%
2	China	\$466,131	8.44%
3	California	\$332,010	6.01%
4	United Kingdom	\$304,208	5.51%
5	France	\$237,644	4.30%
6	Germany	\$215,021	3.89%
7	South Korea	\$170,862	3.09%
8	Italy	\$162,383	2.94%
9	Texas	\$155,877	2.82%
	Florida	\$148,712	2.69%
Over the last two years, Texas' insurance market grew by over \$20,000,000 (from 10 th to 9 th)			

Population of Top Markets

- ★ Japan = 126,451,398
- ★ China = 1,379,302,771
- ★ United Kingdom = 65,648,100
- ★ France = 67,106,161
- ★ Germany = 80,594,017
- ★ South Korea = 51,181,299
- ★ California = 39,536,653
- ★ Texas = 28,594,306





259,251

**Texas Insurance
Industry Jobs**

- Insurance Information Institute

Homeowners

143 | 6.7 M | \$7.9 B

Companies | Policies | Premiums



\$17 B

**Texas Insurance
Industry Payroll**

- Insurance Information Institute

Personal Auto

199 | 18.1 M | \$17.5 B

Companies | Policies | Premiums



#2

Premium
Volume in U.S.

- NAIC 2015 Premium Volume

Health Insurance

476 | 27 M | \$64 B

Companies | Insured | Premiums

#1



228
Tornados



783
Hail Storms



9,272
Wildfires

- Insurance Information Institute



#9

Premium
Volume on Earth

- NAIC 2015 Premium Volume

Life Insurance

454 | \$11.3 B

Companies | Premiums



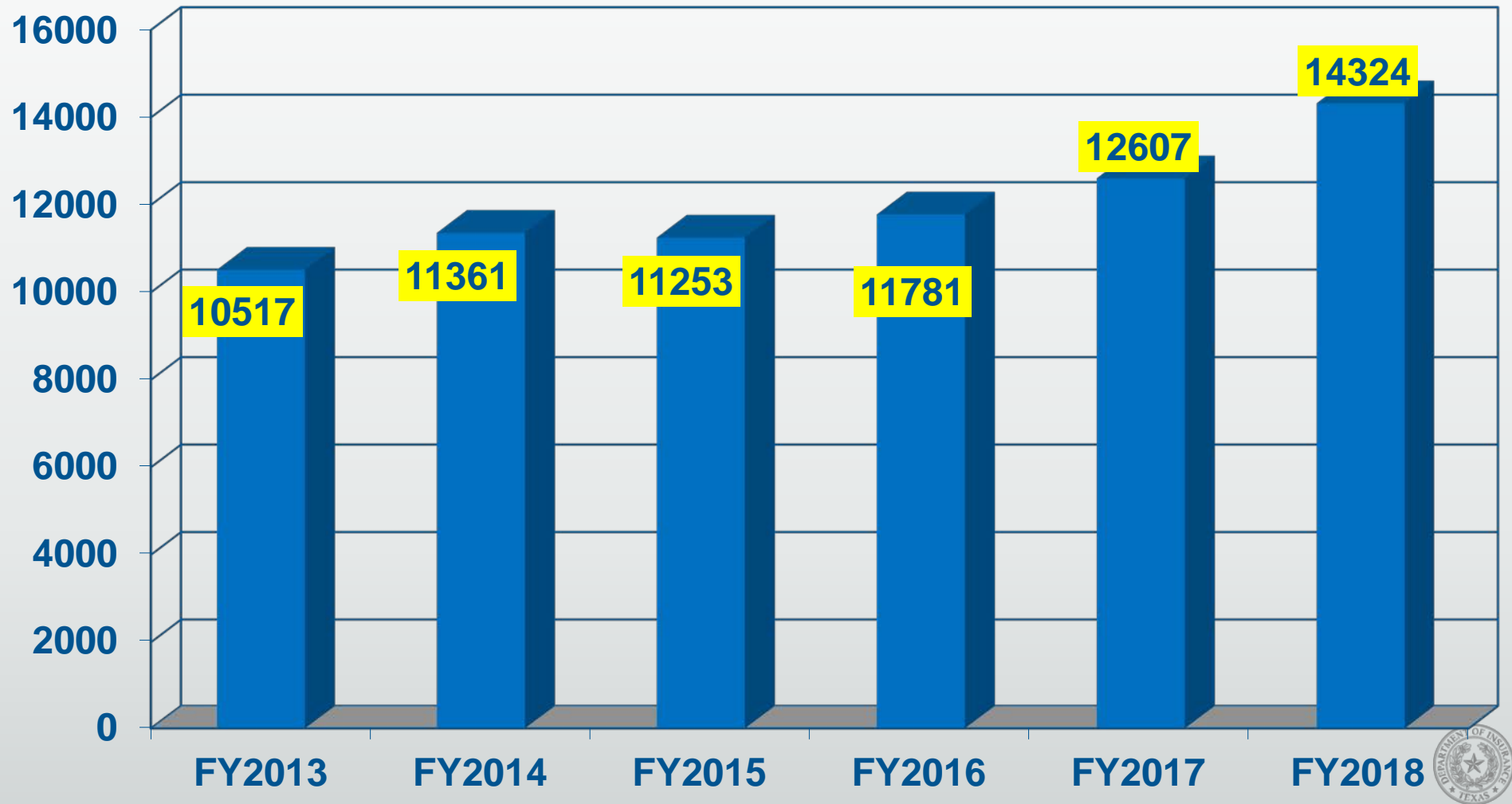
National Fraud Statistics

- ★ States with Fraud Bureaus = 46
- ★ Reports of insurance fraud = 132,000
- ★ Cases opened for investigation = 45,000
- ★ Arrests for insurance fraud = 4200
- ★ Criminal convictions = 5,000
- ★ Restitution ordered = \$346,000,000
- ★ Reports of Fraud > 17% between 2013-2017



TEXAS

Reports of Insurance Fraud



TDI Fraud Unit

- ★ Duties - Chapter 701 Texas Insurance Code
- ★ Texas recognized **Law Enforcement Agency** since 1995*
- ★ 20 State Police Investigators
 - Austin, DFW, Houston, San Antonio, McAllen
- ★ 3 Criminal Analysts/6 Intake & Support staff
- ★ Prosecution Unit since 2005
- ★ 6 Prosecutors Assigned as Assistant DA's
 - Austin, Dallas, Fort Worth, Houston, San Antonio, (also deputized in other jurisdictions)
- * Fraud Unit is a LEA, TDI as an agency is not



FY 2018 Statistics: TDI Fraud Unit

- ★ Fraud reports received – 14,324
- ★ Cases opened for investigation - 306
- ★ Cases referred for prosecution - 92 suspects
- ★ Fraud amount referred – \$7.7 million
- ★ Indictments - 71
- ★ Adjudications – 96
- ★ Restitution ordered - \$13.7 million

- ★ (As of 8/24/10 - 14,487 fraud reports received for FY2019)



Common Types of Fraud Property and Casualty

★ Property

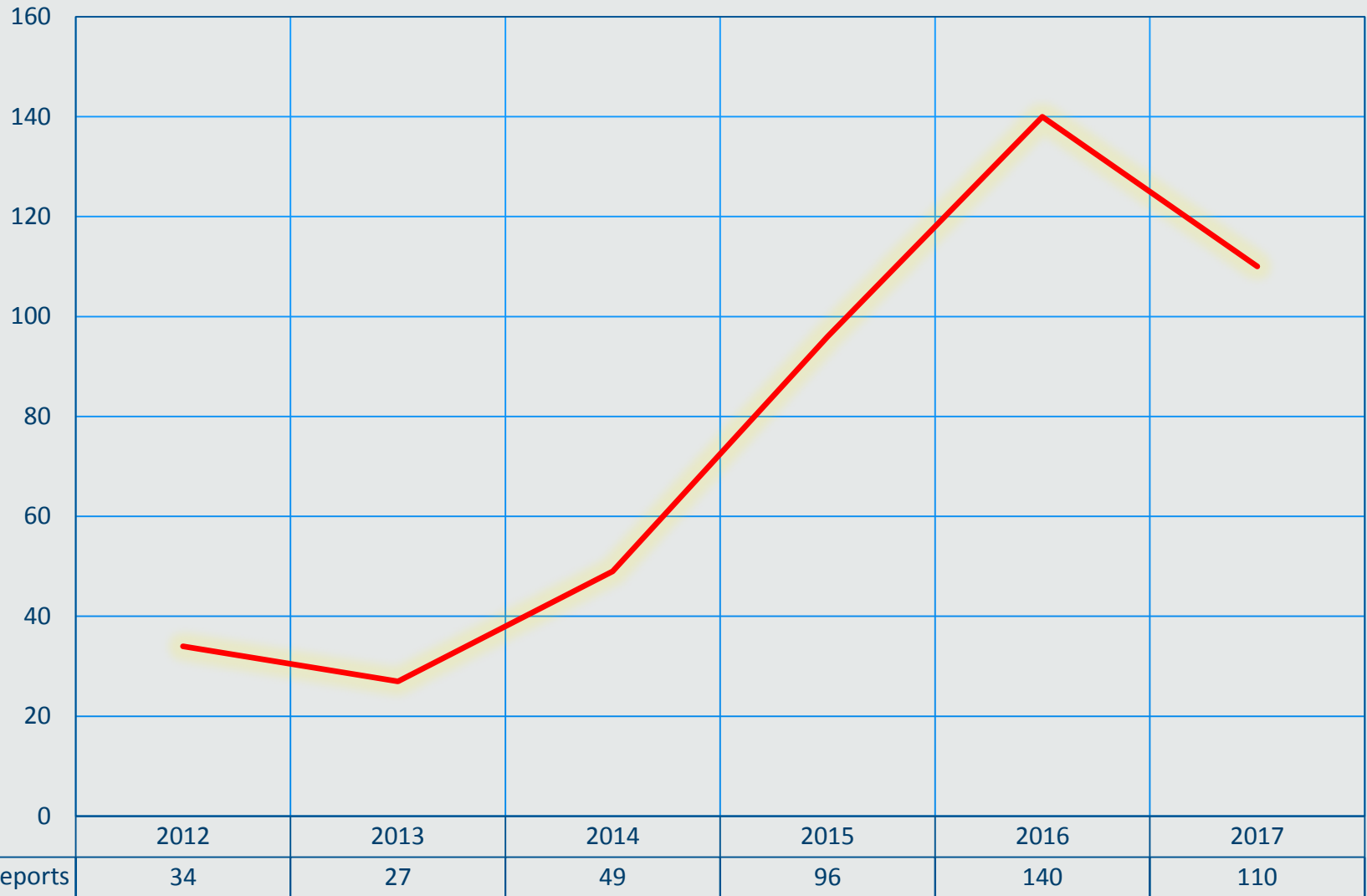
- Hail Damage
- Arson for Profit
- Staged Slip and Fall
- Fake Burglary – Commercial and Homeowner
- Lost/Stolen Jewelry

★ Auto Insurance

- Staged or intentional accidents
- Owner give-up (falsely reported stolen)
- Paper claims or claims padding
- Post-accident policy purchases (false date of loss)



Fraud Reports related to Public Adjusters FY 2012-17



FALSE BURGLARY and/or THEFT REPORTS

- ★ **Claimant fraudulently reports items lost in burglary or theft or invents burglary/theft out of whole cloth**
- ★ **False police reports may be made in an effort to substantiate the claim**
- ★ **Damages padded**
- ★ **Receipts for missing property are altered and, in many cases, fabricated**
- ★ **Multiple policies purchased to cover the same loss**



Reasons People Stage Wrecks

- ★ Didn't have coverage at the time
 - Bash and Buy
- ★ Major mechanical damage
- ★ Don't want to (or can't) pay for it anymore
- ★ For profit
- ★ Frustration with Insurance Company



No-Coverage Staging

- ★ Frequently only one person
- ★ There was a documented real wreck shortly before
- ★ They got their policy within days of the real wreck
- ★ Claim is filed on new policy within a month
- ★ Phantom Vehicle Hit and Run
- ★ Called in to insurer, but not police
- ★ Damage suspiciously identical to that documented in previous wreck
- ★ Sometimes, vehicle may never have moved



Owner Give-up Staging

- ★ Vehicle either:
 - Has major, expensive mechanical issues
 - Is upside down in value, and/or payments behind
- ★ May involve multiple participants
- ★ May involve staged wreck or vehicle arson
- ★ Normally no medical claims
- ★ There will be a prior relationship that is denied



For-Profit Staging

- ★ One to two full vehicles (generally 4 to a car)
- ★ Policies will frequently be new, with PIP
- ★ Vehicles frequently will be previously damaged/wrecked
- ★ Ordinarily all but one person will get out, then they will drive into other vehicle or stationary object
- ★ Some may self-inflict injuries
- ★ Generally will call police to two-vehicle crashes
- ★ Some may ride with EMS
- ★ Whole car will have same attorney and 18-21 'treatments' billed from the same chiropractor



Common Types of Fraud Medical

- ★ Upcoding/Unbundling
- ★ Manufacturing treatment/diagnosis
 - Patient or Provider
- ★ Malingering
- ★ Duplicate claims
- ★ Foreign claims
- ★ Identity theft
- ★ Lab testing



Insurance Claim Fraud

- ★ Sec. 35.02. INSURANCE FRAUD. (a) A person commits an offense if, with intent to defraud or deceive an insurer, the person, in support of a claim for payment under an insurance policy:
 - ★ (1) prepares or causes to be prepared a statement that:
 - ★ (A) the person knows contains false or misleading material information; and
 - ★ (B) is presented to an insurer; or
 - ★ (2) presents or causes to be presented to an insurer a statement that the person knows contains false or misleading material information.



Agent/Aduster/Industry Fraud

- ★ Premium theft
- ★ Commission scams
- ★ Embezzlement
- ★ Additional fees
- ★ Additional/Unauthorized claim payments
- ★ Vendor payments to friends and relatives
- ★ Unauthorized Insurance Prohibited (TIC 101)



Preventing Fraud

- ★ Educate your employees/executives
- ★ Become familiar with common fraud indicators – Have an audit process
- ★ Be vigilant in protecting your companies assets/rights
- ★ Document suspicious activities by providers, claimants and employees
- ★ Thoroughly investigate reports of fraud
- ★ Refer meritorious cases to law enforcement for prosecution



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