



1-800-927-4357

www.insurance.ca.gov

Insurance Fraud

Is a Felony



Dave Jones, Insurance Commissioner
California Department of Insurance

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE**

300 S. Spring Street, South Tower
Los Angeles, CA 90013



Dear California Consumer:

Thank you for contacting the California Department of Insurance (CDI).

As part of our effort to build the best consumer protection agency in the nation, we have created this guide to provide consumers the information and tools to deal effectively with agents, brokers, and insurance companies.

We are committed to finding solutions and taking immediate action to help eliminate the many problems now occurring in homeowners, health, and workers' compensation insurance, as well as consumer privacy protection. These important insurance issues speak to the very fabric of our social economic system and to the future strength of our society and economy in California.

Please feel free to contact our Consumer Hotline at 800-927-HELP (4357) if you have further questions about this guide, or if you are experiencing a problem with an agent, broker, or insurance company. The Hotline is staffed by knowledgeable insurance professionals who are ready to assist you with your insurance needs.

If you are interested in other insurance topics, CDI has a full range of insurance guides available on our website at www.insurance.ca.gov, or by calling our Consumer Hotline.

Thank you for giving us the opportunity to serve you.



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Our Mission



The Fraud Division will protect the public and prevent economic loss through the detection, investigation, and arrest of insurance fraud offenders



Fraud Division Overview

Established in 1979, the Fraud Division is the law enforcement unit within the California Department of Insurance and is composed of four separate insurance fraud programs:

- Automobile Insurance Fraud
- Workers' Compensation Fraud
- Property, Life and Casualty Fraud
(property, health, arson, life insurance fraud, and disaster relief)
- Disability and Healthcare Fraud

The Fraud Division Detectives are the leading experts in the field of insurance fraud. They are trained in criminal investigations and provide assistance as well as training to consumers, the insurance industry, law enforcement agencies and the public/private sector.

Fraud Division Detectives are sworn peace officers. They conduct investigations, surveillances, undercover operations and interview witnesses and suspects. Detectives also write and serve search warrants; make arrests and testify in court.

Fraud Division Detectives are also assigned to various local enforcement task forces such as auto theft, computer forensics, underground economy, pharmaceutical fraud and disaster fraud.

**EASY MONEY
HARD TIMES**
Now ask yourself...
Was it worth it?



INSURANCE FRAUD IS A FELONY



California Department of Insurance
800-927-HELP (4357)
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What is Insurance Fraud?

Fraud occurs when someone knowingly lies to obtain a benefit or advantage to which they are not otherwise entitled or someone knowingly denies a benefit that is due and to which someone is entitled. Referrals on suspected insurance fraud are handled by the California Department of Insurance (CDI) Enforcement Branch and may be prosecuted as a felony. The punishment for committing insurance fraud ranges from probation, fines, community service, restitution, confinement in county jail and/or state prison.

According to the law, the crime of insurance fraud can be prosecuted when:

- The suspect had the intent to defraud. Insurance fraud is a “specific” intent crime. This means the prosecutor must prove that the person involved knowingly committed an act to defraud.
- An act is completed. Simply making a misrepresentation (written or oral) to an insurer with knowledge that is untrue is sufficient.
- The act and intent must come together. One without the other is not a crime.
- Actual loss is not needed as long as the suspect has committed an act and had the intent to commit the crime. No money necessarily has to be lost by a victim.



If you are solicited to commit insurance fraud,



Insurance fraud is a felony punishable by up to five years in state prison and a \$50,000 fine.

Insurance Fraud Costs Consumers

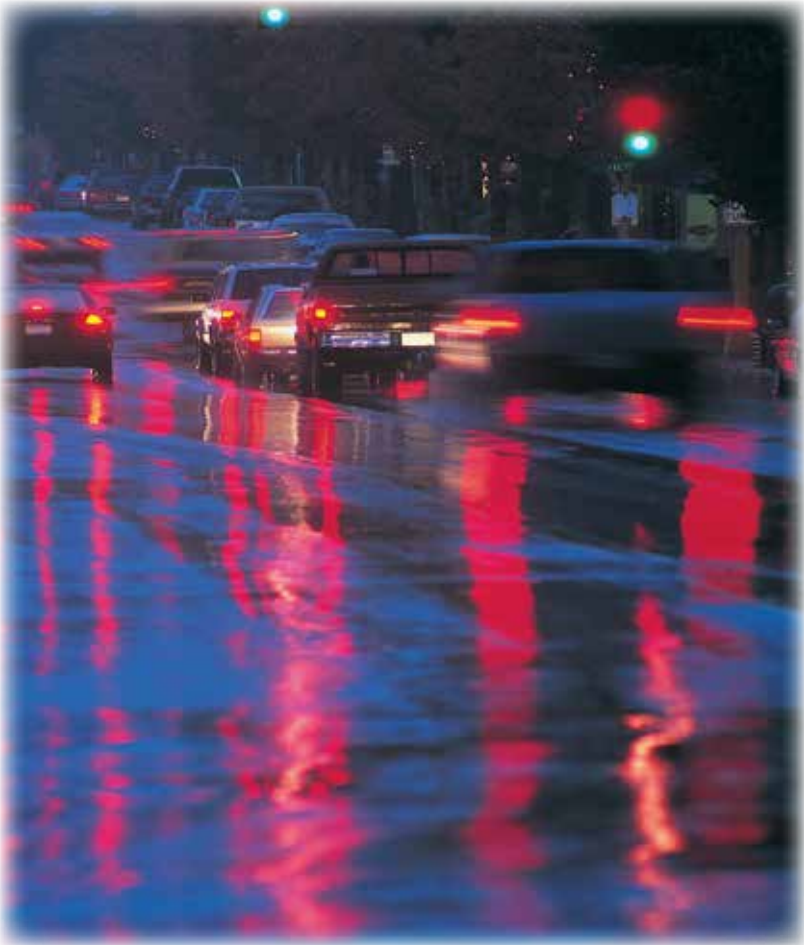
Although the incidents of insurance fraud are frequent and far reaching, its effect on the lives of the general public is seldom recognized. Some of the effects of insurance fraud in California are:

- Insurance fraud totals over \$15 billion each year. This costs each resident an average of \$500 a year. This results in higher premiums, higher taxes, and higher prices.
- According to the National Insurance Crime Bureau (NICB), other than tax evasion, insurance fraud is the second most costly crime in the country.
- Insurance fraud has a direct effect on innocent, law-abiding citizens. Fraud perpetrators have staged automobile collisions resulting in loss of life, have driven companies out of business, and have performed inappropriate medical treatment on defenseless victims.
- Criminals often target vulnerable groups that include seniors, recent immigrants, and small businesses.
- Many residents do not think about the personal, moral, and economic threat that insurance fraud poses to their everyday lives and their standard of living. This leads to the growing tolerance of insurance fraud.

People who commit insurance fraud range from first time opportunists to organized criminal rings who conspire to steal millions of dollars from insurance companies and consumers, to professionals and technicians who inflate the cost of services or charge for services not rendered; to ordinary people who want to cover their deductible or view filing a claim as an opportunity to make a little money. All lines of insurance are susceptible to fraud, but it is particularly prevalent in automobile insurance, healthcare, and workers' compensation.

Common Insurance Fraud Schemes

In order to protect yourself from being a victim or an unwilling participant in insurance fraud, it is important to be aware of common insurance fraud schemes.



Automobile Insurance Fraud



Automobile insurance fraud in California has historically taken several forms. The most common fraud schemes involve automobile property and automobile collisions.



Automobile Property

This type of fraud can involve dishonest auto body and repair shops and/or insurers who may employ a variety of illegal or questionable techniques including:

- Reporting parts of vehicles as damaged or lost when in fact they were not damaged or lost prior to the shop receiving the vehicle.
- Charging an excessive final cost as compared to the original estimate of damage.
- Listing charges for repairs on the billing statement that were not authorized.
- Billing for Original Equipment Manufacturer (OEM) parts, when after-market or salvaged parts were used.
- Billing for OEM parts when bondo is used to make repairs.
- Falsely reporting vehicles as stolen, burned or vandalized in order to collect insurance monies or obtain repairs for previous damage.

It is always important for the consumer to carefully review all paperwork from an auto body repair shop in order to protect against potential fraud.



Automobile Collisions

Automobile fraud often involves organized criminal rings. Staged auto collisions follow several basic schemes including:

- Sudden Stop - The driver of the vehicle in front of you stops suddenly for no reason, causing you to rear-end the vehicle.
- Swoop and Squat - A fast moving vehicle swoops in front of the vehicle in front of you, causing that vehicle to brake suddenly, causing you to collide into the “victim” vehicle. A third vehicle has also forced you to remain in your lane so that you cannot avoid the collision.
- Stuffed Passengers - Passengers who were not in the vehicle at the time of the collision.
- Right of Way Collision - An on-coming driver gives you the right of way and waits for you to enter the roadway, and then purposely causes a collision.

If you have been in an auto collision, be cautious of any unsolicited referral to an auto body shop, law office or medical office. Consumers should also be cautious of any auto body or repair facility that makes referrals to medical or legal offices. Organized collision rings and “cappers” actively solicit others in the community to participate in “paper collisions.” These collisions only exist on paper and generally innocent parties are not involved. Paper collisions have gained popularity among fraud perpetrators, as they are less dangerous from a bodily injury standpoint, and there is less likelihood of police involvement.





Workers' Compensation Fraud

Workers' compensation fraud schemes can range from staged injuries on the job to complex systems of medical billing for services that were never rendered. The following are some examples of the most common workers' compensation fraud activities:

- An employee knowingly files a claim for an injury that did not occur on the job or in relationship to the job.
- An employee claims they are unable to do various activities that they can do.
- An employee receives total temporary disability benefits as a result of lying about outside employment, re-employment or their ability to work.
- A medical or legal provider bills for services not provided.
- A medical or legal provider regularly bills for more time than provided.
- An employer discourages an injured employee from filing a workers' compensation claim.
- A company provides fraudulent information to the insurance carrier in order to reduce their workers' compensation premiums.

Property, Life and Casualty Fraud

The Property, Life and Casualty Fraud Program handles criminal investigations involving staged commercial/residential burglaries, life insurance fraud (which includes murder for profit cases), fraudulent natural disaster claims (wildfire, flood, earthquake and wind), slip and fall claims, internal embezzlement cases, false food contamination claims, and false marine claims. Criminal investigations in this program area can involve millions of dollars in loss (especially in life insurance fraud cases), multiple claims for the same loss and multiple suspects.





Disability and Healthcare Fraud

According to Section 1871(h) of the California Insurance Code, health insurance fraud is a particular problem for health insurance policyholders. Healthcare fraud causes losses in premium dollars and increases healthcare costs unnecessarily.

As mandated by California Insurance Code Section 1872.85(a), funding for the Disability and Healthcare Fraud Program is derived from an annual assessment not to exceed 20 cents annually for each insured under an individual or group insurance policy issued in the State. This funding supports criminal investigations statewide by the Fraud Division and prosecution by district attorneys of suspected fraud involving disability and healthcare fraud.

This program area includes suspected fraud involving: claimant disability other than workers' compensation, dental claims, billing fraud schemes, unlawful solicitation (usually associated with medically unnecessary surgery claims), durable medical equipment, and posing as another to obtain benefits.

The National Health Care Anti-Fraud Association reports that in the United States, over \$2.5 trillion is spent on healthcare every year. Of this amount, between three to ten percent is lost to fraud.

The most common types of fraud committed by dishonest providers include:

- Billing for services that were never rendered -- either by using genuine patient information, sometimes obtained through identity theft, to fabricate entire claims or by padding claims with charges for procedures or services that did not take place.
- Billing for more expensive services or procedures than were actually provided or performed, commonly known as "upcoding".
- Performing medically unnecessary services solely for the purpose of generating insurance payments.
- Misrepresenting non-covered treatments as medically necessary covered treatments for purposes of obtaining insurance payments - widely seen in cosmetic-surgery schemes in which non-covered cosmetic procedures such as "nose jobs" are billed to insurance companies as medically necessary.
- Falsifying a patient's diagnosis to justify tests, surgeries or other procedures that are not medically necessary.
- Unbundling - billing each step of a procedure as if it were a separate procedure.
- Billing a patient more than the co-pay amount for services that were pre-paid or paid in full by the benefit plan under the terms of a managed care contract.
- Accepting kickbacks for patient referrals.
- Waiving patient co-pays or deductibles and over-billing the insurance carrier or benefit plan.

Reporting Suspected Insurance Fraud



Visit the CDI's website at www.insurance.ca.gov to download and print a copy of the form (Consumer Insurance Fraud Reporting Form) to report suspected fraud. Please complete the form thoroughly with as much detail and information as possible. Reports of suspected insurance fraud may be made anonymously.

Completed Consumer Insurance Fraud Reporting Form and any attachments are to be mailed to the following address:

California Department of Insurance
Enforcement Branch Headquarters
Intake Unit
9342 Tech Center Drive, Suite 100
Sacramento, CA 95826

State of California, Department of Insurance, Fraud Division

Consumer Insurance Fraud Reporting Form.

This form is designed to be used by members of the general public and their representatives.

If you are employed in the insurance industry you must use Form FD-1 to make your report.

Under California Insurance Code Section 1879.5, no person shall be subject to civil liability for filing a good faith report of suspected insurance fraud to the Department of Insurance.

SECTION 1—REPORTING PARTY

Anonymous

Date

Last Name _____ First Name _____

Email Address _____

Company Name _____ DBA _____

Street Address _____ City _____

State _____ Zip Code _____ Contact Phone # _____

SECTION 2—INSURANCE FRAUD INFORMATION (Please Provide Known Information)

Insurance Company (s) _____

Policy # _____ Claim # _____

Date of Loss _____ Is Fraud Still On Going? Yes No

Location of Loss: City _____ Zip Code _____

Person listed below is: Insured Claimant Suspect Other

Last Name _____ First Name _____

Street Address _____ City _____

State _____ Zip Code _____ Phone # _____

Company Name _____ DBA _____

Person listed below is: Insured Claimant Suspect Other

Last Name _____ First Name _____

Street Address _____ City _____

State _____ Zip Code _____ Phone # _____

Company Name _____ DBA _____

SECTION 3—This Information Has Also Been Referred To:

Has an insurance company been notified of this activity? Yes No

If yes, listed company _____

Has a law enforcement agency been notified of this activity? Yes No

If yes, listed agency (s) _____

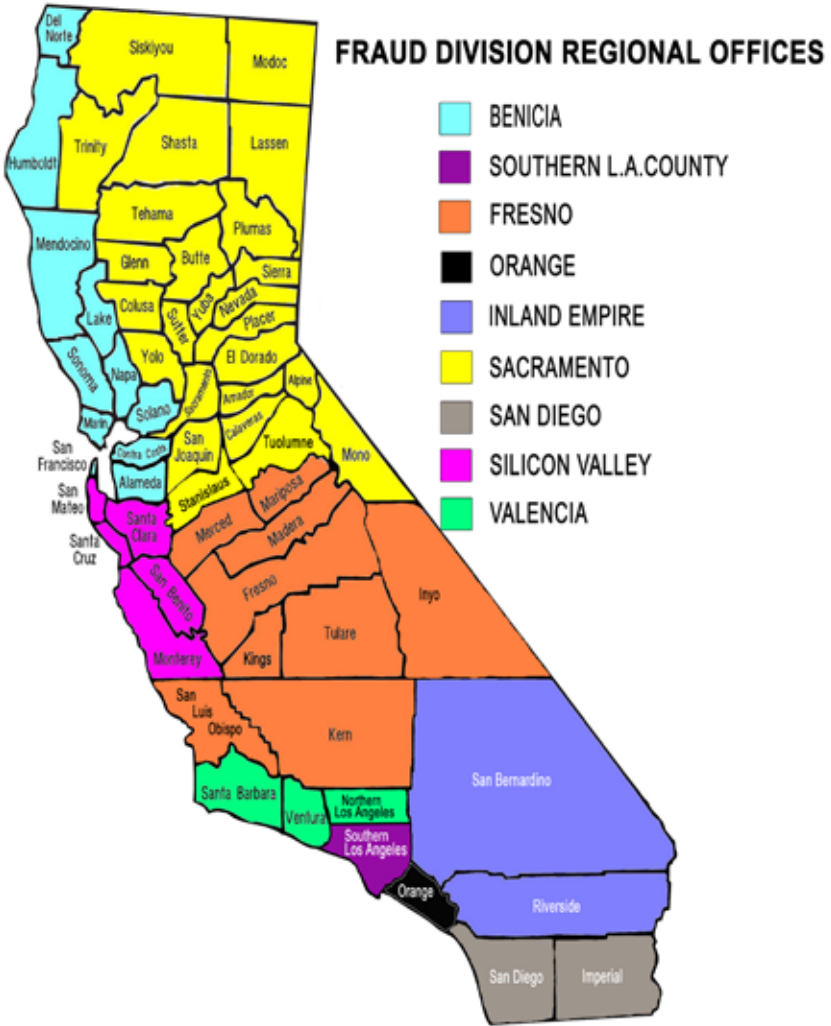
Has a District Attorney's Office been notified of this activity? Yes No

If yes, listed county _____

Have other agency (s) been notified of this activity? Yes No

If ye, listed agency (s) _____

Jurisdictional Map



Fraud Division Regional Offices

Suspected insurance fraud may also be reported in person at any one of the Fraud Division regional offices listed below.

Office	Address	Counties Served
<i>Benicia</i>	1100 Rose Drive, Suite 100 Benicia, CA 94510 (707) 751-2000	Alameda, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Napa, San Francisco, Solano, and Sonoma
<i>Fresno</i>	1780 East Bullard, Suite 101 Fresno, CA 93710 (559) 440-5900	Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, San Luis Obispo, and Tulare
<i>Inland Empire</i>	9674 Archibald Avenue, Suite 100 Rancho Cucamonga, CA 91730 Phone: (909) 919-2200	Riverside and San Bernardino
<i>Orange</i>	333 South Anita Drive, Suite 450 Orange, CA 92868 Phone: (714) 712-7600	Orange
<i>Sacramento</i>	9342 Tech Center Drive, Suite 500 Sacramento, CA 95826 Phone: (916) 854-5700	Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Lassen, Modoc, Mono, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba
<i>San Diego</i>	10021 Willow Creek Road, Suite 100 San Diego, CA 92131 Phone: (858) 693-7100	Imperial and San Diego
<i>Silicon Valley</i>	18425 Technology Drive Morgan Hill, CA 95037 Phone: (408) 201-8800	Monterey, San Benito, San Mateo, Santa Clara, and Santa Cruz
<i>Southern Los Angeles County</i>	5999 East Slauson Avenue City of Commerce, CA 90040 Phone: (323) 278-5000	Southern Los Angeles County
<i>Valencia</i>	27200 Tourney Road, Suite 375 Valencia, CA 91355 Phone: (661) 253-7400	Northern Los Angeles County, Santa Barbara, and Ventura



The California Department of Insurance has a Consumer Hotline to serve the needs of the public. If you have any information regarding fraudulent insurance activity, you may call the Consumer Hotline at 800-927-HELP (4357). All suspected insurance fraud reported to the Consumer Hotline is forwarded to the Fraud Division.

It is important to know that notification of insurance fraud may be made anonymously. The Insurance Code states that no insurer, employees or agents of any insurer, shall be subject to civil liability for libel, slander or any other relevant cause of action by virtue of providing information, in good faith, concerning suspected insurance fraud to law enforcement, including the California Department of Insurance Fraud Division.

Talk to the Department of Insurance

**Do you have a question, comment or concern?
There are several ways to talk to us:**



- Call our Consumer Hotline at **(800) 927-HELP**
Telecommunication Device for the Deaf dial
(800) 482-4TDD

Telephone lines are open **8:00 AM to 5:00
PM Pacific Time, Monday through Friday,**
excluding holidays



- E-mail us via our website at:
www.insurance.ca.gov



- Write: **California Department of Insurance**
300 South Spring St., South Tower
Los Angeles, CA 90013



- Visit us in person on the 9th Floor at the
address above.

Office Hours: Monday through Friday
8:00 AM to 5:00 PM Pacific Time, excluding
holidays.



Call or visit your local Fraud Division regional office.
Addresses and phone number can be found on page 25.

The California Department of Insurance

Consumer Education and Outreach Bureau

300 South Spring Street, South Tower, Los Angeles, CA 90013

1-800-927-4357

1-800-482-4833 (TDD)

1-877- 401-9550 (CEOB)

www.insurance.ca.gov



This brochure is a joint project of the staff of the California Department of Insurance.

Form 574/ Insurance Fraud is a felony

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