



Insurance Fraud is a Felony

Fraud Division Overview

Established in 1979, the Fraud Division is the law enforcement unit within the California Department of Insurance (CDI) 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.

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.

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.

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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.

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

In Summary

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 800-927-4357. 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 suspect



Led by Insurance Commissioner Ricardo Lara, the California Department of Insurance is the consumer protection agency for the nation's largest insurance marketplace and your best resource for honest and impartial answers to insurance questions. Knowledgeable insurance professionals are available through our consumer hotline. Call 1-800-927-HELP (4357) or visit www.insurance.ca.gov to view all of our consumer information guides and insurance resources. These tools are available to consumers free of charge.

Filing a Complaint (Request for Assistance)

CDI is committed to protecting your rights. Many questions can be answered over the phone. If we are unable to resolve the issue over the phone, you have the option of filing a Request for Assistance against the insurer or the agent/broker by mail or online on our website. The system will allow you to attach copies of all necessary documents, such as policies, canceled checks and correspondence. Some examples of the issues the Department may be able to help with include:

- Improper Denial of Claim
- Cancellation or non-renewal of a policy
- Delay in settlement
- Alleged misappropriation of premiums paid
- Alleged misrepresentation by an Agent/Broker or solicitor
- Unfair underwriting practices
- Dishonest or deceptive insurance sales tactics

Contact Us

Consumer Assistance Hotline:
1-800-927-4357

TTY 1-800-482-4833

Visit us on the web at:
www.insurance.ca.gov

To order additional materials contact
Community Relations & Outreach at:
crob@insurance.ca.gov