

August 5, 2008

Senator Nancy Sullivan
Representative John Brautigam
Joint Standing Committee on Insurance and Financial Services
100 State House Station
Augusta, ME 04333-0003

Re: Year 2007 Insurance Fraud Report

Dear Senator Sullivan, Representative Brautigam, and members of the Committee:

This letter and accompanying information constitutes the Bureau's Annual Report on Insurance Fraud to the Joint Standing Committee on Insurance and Financial Services. The data contained in this Report is based upon annual survey information which insurers are required to report to the Bureau pursuant to 24-A M.R.S.A. §2186 and Maine Insurance Rule Chapter 920.

The first chart in this report illustrates aggregate information regarding cases of suspected fraud for 2005 through 2007. This three year summary shows an overall decrease of 3% in the number of suspected cases of fraud reported in 2007 compared to those reported in 2005, although the 2007 data reflects an aggregate decrease of 6% from 2006. Modest increases in reported suspected fraud appear in workers' compensation and general liability insurance. There is a noticeable decrease in suspected health insurance fraud for 2007. Reports of suspected health fraud cases have decreased 30% since 2005. Although insurers are not required to report reasons for the decrease to the Bureau, Bureau staff believes that generally some of the decrease may be attributable to coverage of fewer insureds and more accurate reporting by insurers.

Attached charts provide aggregate data by type of suspected fraudulent insurance act as it has been reported to the Bureau by insurers. Reported cases include faked property damage, inflated financial loss, faked or exaggerated injury, a history of prior suspect claims and false information on insurance applications. Category labeled "other" includes property and vehicle arson, auto thefts, fraudulent death claims and questionable ownership issues.

The Bureau of Insurance will continue to collect information on suspected fraud claims. In the coming years, additional data will help us to gain a better understanding of the extent of insurance fraud and abuse in Maine.

If you have any questions concerning this report, do not hesitate to contact me.

Respectfully submitted,

Mila Kofman
Superintendent

cc: Members, Insurance and Financial Services Committee
Anne L. Head, Commissioner
Colleen McCarthy Reid, Legislative Analyst

Maine Fraud and Abuse Annual Report
Three Year Summary

Number of Suspected Cases of Fraud Reported by Line of Insurance

	2007	2006	2005
Automobile	973	1,080	1,058
Workers' Compensation	350	291	285
General Liability	109	84	86
Life	24	25	8
Health	260	333	369
Inland Marine	7	19	16
Property	280	293	288
Other Lines	90	98	40
Total	2,093	2,223	2,150

Maine Fraud and Abuse Annual Report
Types of Suspected Fraudulent Insurance Acts Reported

Claimant May Have:

Faked Property Damage	
2005	343
2006	309
2007	315

Inflated Financial Loss	
2005	146
2006	155
2007	151

Faked/Exaggerated Injury	
2005	349
2006	366
2007	423

Staged Accident/Injury	
2005	44
2006	75
2007	45

Been Known To File Suspect Claims, Including Faking, Exaggerating, or Extending Total or Partial Disability	
2005	172
2006	138
2007	190

Other	
2005	199
2006	249
2007	234

Legal Provider May Have:

Hired or Paid Cappers/Chasers to Recruit Clients	
2005	0
2006	0
2007	0

Charged Fees Inconsistent with Services Provided	
2005	0
2006	0
2007	0

Legal Provider May Have:

Other	
2005	1
2006	1
2007	1

Medical Provider May Have:

Provided an Inaccurate /Incomplete History	
2005	33
2006	16
2007	1

Billed for Services Not Provided	
2005	32
2006	5
2007	2

Upcoded or Billed for Excessive Treatments	
2005	47
2006	21
2007	5

Unbundled Services	
2005	33
2006	16
2007	0

Received Compensation for Referral to Medical or Legal Providers	
2005	11
2006	15
2007	0

Hired or Paid Cappers/Chasers to Recruit Clients	
2005	0
2006	0
2007	0

Fabricated Services	
2005	3
2006	1
2007	0

Medical Provider May Have:

Provided an Inaccurate/Incomplete History	
2005	0
2006	0
2007	0

Operated Without a License	
2005	57
2006	15
2007	1

Other	
2005	7
2006	5
2007	7

Other Person or Entity May Have:

Received/Paid Compensation for Referral	
2005	0
2006	0
2007	0

Fabricated Services	
2005	1
2006	0
2007	0

Charged Inconsistent with Services Provided	
2005	1
2006	9
2007	1

Provided an Inaccurate/Incomplete History, or Submitted False or Inaccurate Information to Obtain an Insurance Policy or to Reduce an Insurance Premium	
2005	368
2006	389
2007	236

Other	
2005	2
2006	3
2007	9

Total Number of Suspected Fraud Claims by Type of Insurance:

Personal	
2005	1,428
2006	1,317
2007	1,196

Commercial	
2005	713
2006	848
2007	764

Number of Cases Reported/Referred to Law Enforcement Agency:

District Attorney's Office	
2005	9
2006	8
2007	7

U.S. Attorney's Office	
2005	2
2006	5
2007	1

Other Law Enforcement¹	
2005	69
2006	32
2007	44

Workers' Compensation Board Abuse and Fraud Unit	
2005	31
2006	22
2007	36

National Insurance Crime Bureau	
2005	218
2006	126
2007	209

Other, Including U.S. Postal Authorities	
2005	1
2006	7
2007	3

¹ These cases are not duplicate referrals.

Amount of Money NOT Paid on Suspected Fraudulent Cases:

Year	Amount²
2005	\$7,037,871
2006	\$5,666,380
2007	\$7,956,277

² One auto insurer that reports a number of suspected fraud claims does not track or report an amount of money not paid on suspected cases.