

## Insurance fraud costs you - the policy holder

Insurance fraud is not a petty crime. Insurance fraud is one of the fastest growing industries in the United States. It cost all sectors of the insurance industry \$120 billion in 1996. Property and casualty insurance fraud amounted to more than \$30 billion. Fraud perpetrated against insurance companies can cost between 10 and 25 percent of the cost of an insurance policy.

Dishonest people can commit insurance fraud in a variety of scenarios. They may try to make money by faking an accident and the resulting injuries. Or, they may reports items stolen from his or her home when, in fact, the items were moved to another location, a phony break-in was created, and a claim was filed with an insurance company. Sadly, the policy holders of our company pay every penny of our share of this fraud, though most would never consider presenting a fraudulent claim.

Fraud may be committed at different points in the insurance transaction by many individuals: applicants for insurance; policyholders; third-party claimants; and professionals who provide services to claimants. Common frauds include padding or inflating actual claims, misrepresenting facts on an insurance application, submitting claims for injuries or damage that never occurred, staging accidents and causing damage to property by fire.

A recent survey by the Insurance Research Council revealed some alarming information about insurance fraud. Many types of fraud exist, and many are considered acceptable by an unusually high percentage of the public. Here are just a few of the responses.

- Including defective or obsolete appliances on lightning claim - 29%
- Increasing the claim to cover the deductible - 40%
- Increasing the claim to cover the premiums paid - 36%
- Listing adults as main driver of a car being driven by an under age driver - 20%
- Omitting accidents/tickets from insurance application - 14%
- Continuing medical treatment to increase the value of a claim - 11%
- Pretending a hit-and-run accident occurred to submit a claim - 7%
- Abandoning a car and reporting it stolen to the insurance company - 6%

These statistics support the need for the investigation and denial of fraudulent claims. Georgia Farm Bureau has committed considerable resources to meet this need. A little more than ten years ago, we established a Special Investigation Unit to investigate suspicious losses. During this time, we have successfully denied hundreds of fraudulent claims that saved our policy holders millions of dollars.

In addition, by publicizing the fact that we investigate and resist fraudulent claims, we have discouraged the “professional” claimant from purchasing their insurance from Georgia Farm Bureau.

With your help in recognizing and reporting fraudulent activity, we now see a change in the public perception of fraud and its cost. More than 88 percent of the respondents agreed insurance fraud is a major problem that increases their insurance premium; 78 percent would report a friend or relative involved in insurance fraud. Your help, along with the support of our policy holders and law makers, will allow us to be successful in the investigation and denial of fraudulent claims.

Please contact your local Farm Bureau Insurance Agent for further details and/or other questions you may have concerning any losses.