

# INSURANCE FRAUD

RECOGNIZE IT.  
REPORT IT.  
PROTECT YOURSELF.

NC DEPARTMENT OF  
**INSURANCE**  
FRAUD CONTROL GROUP

MIKE CAUSEY, COMMISSIONER  
MARTY SUMNER, SR. DEPUTY COMMISSIONER





[NCDOI.COM/INVESTIGATIONS](https://ncdoi.com/investigations)



[REPORTFRAUD@NCDOI.GOV](mailto:REPORTFRAUD@NCDOI.GOV)



888-680-7684

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The N.C. Department of Insurance would like to thank the North Carolina Association of Insurance Agents, Inc. for its generous support; 1,250 copies of this document were printed using \$2,740 of NCAIA Surplus Grant monies.

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Insurance fraud in North Carolina is big business; in fact, sadly, it is a growing enterprise that costs each of us dearly. With approximately 10 percent of all insurance claims involving some degree of fraud — totaling nearly \$120 billion per year lost — we all pay for this deceit in the form of added insurance premiums.

Fraud occurs in every area of our insurance needs, from health care insurance to property and casualty insurance, life and disability insurance. Criminals exist with successful scams for every part of the industry, and each of us pay as a result. Also, because North Carolina citizens have endured hurricanes, floods and other natural disasters, we know firsthand that there are opportunists out there who are hitting us while we're down.

Your Department of Insurance is charged with maintaining order in the North Carolina insurance market. I am proud of the fact that our fight to keep insurance rates down has been largely successful, and one of the most important components of the effort to keep these rates down is our fight against fraud. Our Criminal Investigations Division has the mission of conducting criminal investigations and supporting prosecution of persons or other entities committing insurance-related crimes. Department of Insurance Special Agents are committed professionals who are dedicated to our cause and who take pride in our successes.

This brochure outlines some of the ways to recognize, report and protect yourself from insurance fraud. I encourage you to read it and to contact the Department for assistance whenever necessary.

*Mike Causey*  
**MIKE CAUSEY**  
COMMISSIONER



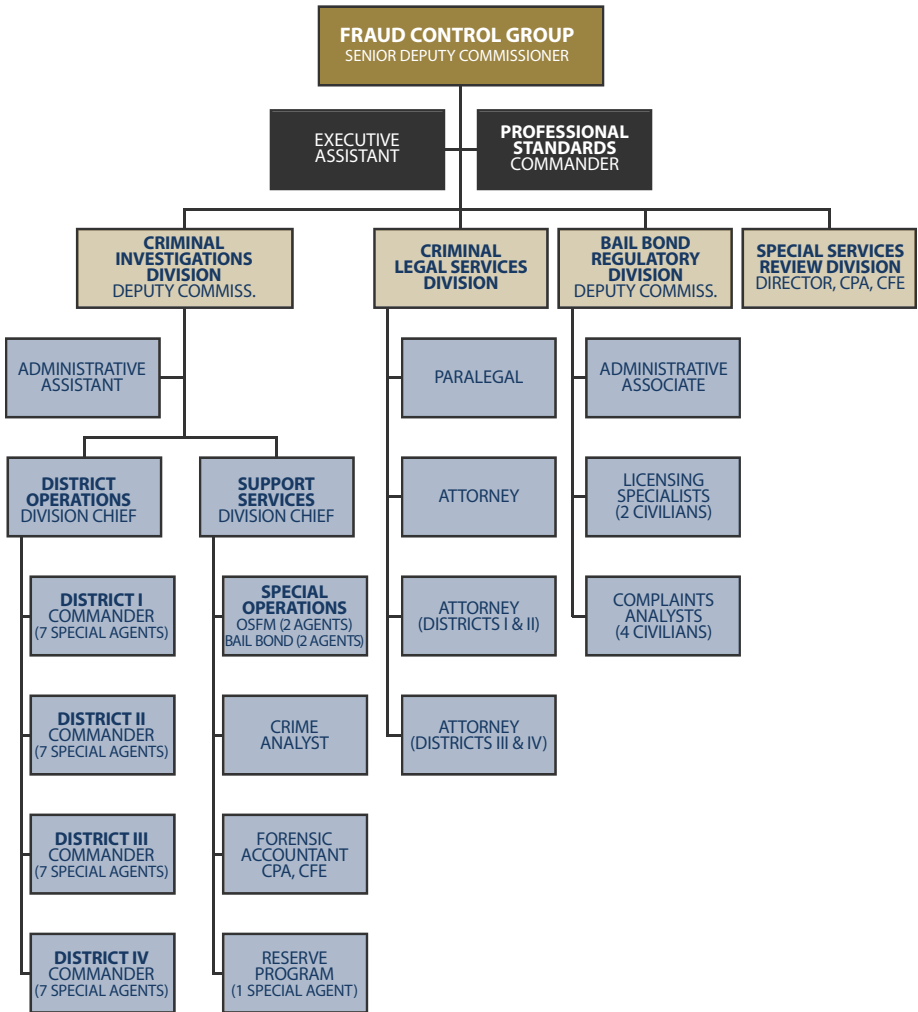
As the Senior Deputy Commissioner over the NCDOI Fraud Control Group, my staff and I are honored to carry out Commissioner Causey's Mission of combating Fraud. The Fraud Control Group is staffed and organized into four divisions: Criminal Investigation Division, Criminal Legal Services Division, Bail Bond Regulatory Division and Special Services Review Division. The Fraud Control Group is here to serve and maintains a customer-service-oriented mantra. This book is filled with pertinent information to assist you and we encourage you to contact us for any questions you may have.

**MARTY SUMNER**  
SENIOR DEPUTY COMMISSIONER

*Marty A. Sumner*

# FRAUD CONTROL GROUP

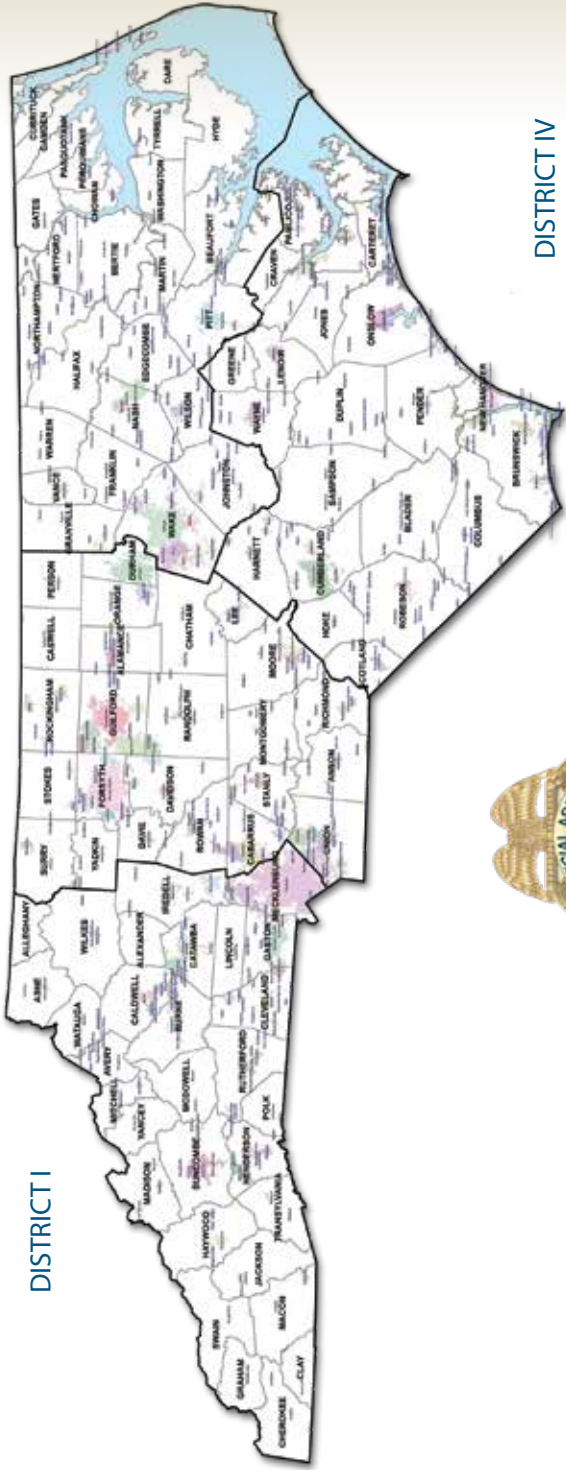
CRIMINAL INVESTIGATIONS DIVISION  
CRIMINAL LEGAL SERVICES DIVISION  
BAIL BOND REGULATORY DIVISION  
SPECIAL SERVICES REVIEW DIVISION



DISTRICT III

DISTRICT II

DISTRICT I



DISTRICT IV



FIGHTING FRAUD FOR YOU

NC DEPARTMENT OF  
**INSURANCE**  
 FRAUD CONTROL GROUP

## CONTACT US

If you have any questions about insurance fraud or would like to report suspected insurance fraud, please contact the North Carolina Department of Insurance Criminal Investigations Division. The Division is headquartered in Raleigh, and we have Special Agents based throughout the state. We depend on citizens and industry representatives to report illegal and suspicious insurance-related activities. Tips can be reported anonymously.

### CRIMINAL INVESTIGATIONS DIVISION

NC Department of Insurance  
1201 Mail Service Center  
Raleigh, NC 27699-1201

[reportfraud@ncdoi.gov](mailto:reportfraud@ncdoi.gov)

888-680-7684 Toll free  
919-807-6840 Outside of NC  
919-715-1156 Fax

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## CRIMINAL INVESTIGATIONS DIVISION

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The North Carolina Department of Insurance Criminal Investigations Division (CID) is the nation's oldest and one of the most respected state insurance department fraud units in the country. Founded in 1945, the Division is charged with conducting criminal investigations and supporting prosecution of individuals and entities committing insurance-related crimes throughout North Carolina and across the country.

Investigative personnel are sworn law enforcement officers having statewide jurisdiction. The Special Agents are fully authorized to carry firearms, make arrests, conduct searches and present cases at all levels of prosecution. The Special Agents work in close cooperation with the insurance industry, state and federal law enforcement agencies and prosecutors. The Division remains actively involved in conducting fraud investigations that pertain to natural catastrophes, staged automobile accidents, body and repair shops, medical providers, agent embezzlement, unauthorized insurers, "insider fraud," durable medical equipment suppliers and more. You may know certain individuals who try to take advantage of the system by submitting fraudulent claims and justifying their actions with comments such as, "Insurance companies are huge; they can afford this." "My premiums are too high – I'll show them!" "Everybody does it – what's the big deal?" THE BIG DEAL is that we all pay for fraud and we must take steps to reduce it by reporting it.

In an environment where our citizens are victimized by insurance fraud or, in some cases, even seem to condone it, our mission becomes increasingly difficult. Difficult or not, the Criminal Investigations Division remains committed to the identification and prosecution of those responsible for insurance fraud.

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## CRIMINAL LEGAL SERVICES DIVISION

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The North Carolina Department of Insurance Criminal Legal Services Division (CLSD) is comprised of three attorneys and one paralegal. Session Law 2017-197, House Bill 528 "Council of State Special Prosecutor Pilot Project" allows the Administrative Office of the Courts, in consultation with the Conference of District Attorneys, to appoint up to two special prosecutors per Council of State member. These special prosecutors aid local district attorneys' offices in prosecuting insurance fraud cases that arise under Article 15 of Chapter 14 of the North Carolina General Statutes, violations of Chapter 58 of the North



Carolina General Statutes, and violations of Chapter 14 of the North Carolina General Statutes.

NCDOT Criminal Legal Services Division has two attorneys that are appointed as special prosecutors. The attorneys work with state district attorneys to present evidence gathered by the Criminal Investigations Division, Bail Bond Regulatory Division or other DOI Divisions in an attempt to fully prosecute the insurance and/or bail bonds crimes that the department has investigated. The special prosecutors are sworn in over 33 counties and actively work on more than 70 cases. The special prosecutors serve as the lead prosecutor on cases as appropriate. The attorneys work directly with the NCDOT Senior Deputy of the Fraud Control Group.

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## **BAIL BOND REGULATORY DIVISION**

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The primary purpose of the Bail Bond Regulatory Division (BBRD) is to regulate, educate and enforce all aspects of bail bonding. The Division ensures proper and fair treatment has been given to individuals who are involved within the North Carolina legal bail bond system. BBRD regulates all Professional Bail Bondsmen, Bail Bond Runners and Surety Bondsmen licensed to operate in North Carolina. Also, all Surety Insurance Companies licensed to conduct business in N.C. are regulated by the Department of Insurance (NCDOT). All persons acting in any capacity of bail bonding must be licensed by the Commissioner of Insurance.

North Carolina currently has two public and three private education providers offering pre-licensing education (PLE) and continuing education (CE) for bail bondsmen. The Bail Bond Regulatory Division monitors closely these institutions to ensure all curriculum being taught is accurate, up-to-date and non-biased. Each person who becomes licensed as a bondsman is considered an officer of the court and will be expected to carry themselves as a professional at all times.

NCDOT is proactive in that it ensures bail bonding adheres strictly to N.C. General Statutes, established by the N.C. General Assembly under GS 58.71.1-200. All written complaints received are reviewed and appropriate action is taken. This Division works closely with our Criminal Investigations Division, Criminal Legal Services Division and the Attorney General's office. BBRD also works with local, county and state law enforcement.

To submit complaints: contact [bbrdinbox@ncdot.gov](mailto:bbrdinbox@ncdot.gov) or visit [ncdot.com/BB/Online\\_Complaint.aspx](https://ncdot.com/BB/Online_Complaint.aspx).

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## SPECIAL SERVICES REVIEW DIVISION

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The Special Services Review Division is the newest addition to the Fraud Control Group. This division provides an in-depth review of financial and various other records of insurance companies, insurance agents, or bail bondsmen based on referred cases. These come from citizen complaints, other DOI organizational units, outside agencies, insurance companies, insurance agents, or other sources. Results of these reviews could lead to additional actions by NCDOI or referral to the Criminal Investigations Division.

The Special Services Review Division works closely with other NCDOI divisions and collaborates with other state departments of insurance to help determine unlawful activity or patterns of violations that could negatively impact North Carolina citizens and policyholders.

# COMMON INSURANCE FRAUD SCHEMES



# AUTOMOBILE INSURANCE FRAUD

## AUTOMOBILE REPAIR

Review all repair shop paperwork carefully. Concerns noted in this area may involve one or more of the following:

- Falsely reporting lost or damaged parts
- Billing for excessive final cost
- Providing final statement containing false and/or unauthorized charges
- Charging for genuine parts when aftermarket or junkyard parts were actually used
- Charging for new parts when bonding or pounding
- Referring customers to medical or legal offices for a fee

## AUTOMOBILE ACCIDENTS

Individuals and/or organized accident “rings” that stage auto accidents involving one or more of the following:

- Sudden stops in front of you for no reason
- Disregarding or giving up right of way to cause an accident
- No real accident – occurred on paper only with phony drivers and passengers – more popular now due to less of a chance of actual injury and less likelihood of police involvement
- Claims that list drivers, passengers, witnesses who do not exist and who claim excessive injuries – especially when compared to vehicle damage
- Driver has temporary vehicle registration and there is prior damage to one or both vehicles
- Unsolicited referrals or contacts by, from or to body shops, legal offices and medical offices
- Fraudulently reporting vehicles as stolen or vandalized in order to collect insurance money

# BILLING OF MEDICAL SERVICES

A variety of dishonest techniques may be used to fraudulently bill the consumer, his or her insurance company and/or public programs (Medicare, Medicaid, etc.) for:

- Treatment not provided or provided by someone other than doctor
- Alternative treatment provided
- Tests or supplies not conducted or provided
- Cancellation charge for unscheduled visits
- Charges for office visits not made
- Referral fees for services not rendered
- Unnecessary lab or other testing

# PROPERTY CLAIMS ADJUSTING

This type of fraud has been extremely prolific in North Carolina due to hurricane-related damage.

## ADJUSTING

Fraudulent claims adjusting usually involves illegal or questionable methods such as:

- Operating as an adjuster without the required license
- Adjuster requests that his or her name be the payee of the insurance check
- Adjuster requests that the payee endorse the insurance check over to him or her
- Adjuster handles all business in person, has no telephone number, address or other means of contact, and avoids use of mail
- Claim check larger than cost of repairs made
- Invoices include charges for services not rendered or for repairs not made

## PROPERTY REPAIR

This type of fraud usually involves unethical or incompetent building contractors. Take caution if:

- Contractor has no office or other legitimate place of contact to include telephone number, address, residence, references, etc., and avoids use of the mail
- Contractor requests full payment up front
- Contractor arrives at site unsolicited and often does not have proper equipment or supplies for the job
- Contractor unwilling to show (or does not have) license or liability insurance
- Contractor provides a very general estimate
- Bid seems “too good to be true”

## MISCELLANEOUS INSURANCE FRAUD

Life and disability fraud, embezzlement, false pretense, false statements, willful failure to pay group insurance premiums and other insurance-related crimes are occurring every day in North Carolina. For example:

- Instances where an insurance agent has not forwarded premiums to the appropriate insurance company as required by contract. This situation often leads to charges of embezzlement and, on occasion, has caused entire agencies to become financially impaired and incapable of conducting further business.
- Instances where an employer has willfully stopped paying premiums on employee group insurance plans without first having given the employees at least a 45-day written notice. As a result, employees are unaware they no longer have insurance coverage when the insurance company cancels the group policy for non-payment. Often the first sign of this occurs when the hospital or other medical provider informs the employee that their coverage has been terminated and that they are now responsible for the entire bill.
- The practice of convincing an insured to use an existing policy's cash value to pay for a newer and unnecessary policy is called "churning" or "twisting." Since agents earn their largest commission for the first year a policy is in effect, unscrupulous agents may "twist" the truth and "churn" a new, "better" or "cheaper" policy to the customer. This new policy may, in fact, have less favorable terms or fewer benefits. This is illegal.
- "Unauthorized insurers" are companies, plans or other arrangements that give the appearance of being authorized, licensed, registered or approved by state or federal regulators to engage in the business of transacting insurance. In other words, they look and act like legal insurance companies; however, they are unlicensed and may often engage in illegal acts. They often offer substantially lower rates and employ few, if any, underwriting principles. As a result, claims are paid slowly or not at all, and cash reserves are non-existent after having been misappropriated by unscrupulous owners. Regulation by state regulators and the United States Department of Labor is rigorously avoided and, sooner or later, the entity goes out of business leaving their "insureds" high and dry with unpaid claims and no insurance.

# HOW TO SPOT AND AVOID CON ARTISTS



## ▼ THE CON ARTIST

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The clever con artist is a good actor who disarms his victims with an affable “nice guy” approach. However, behind this friendly exterior is a shrewd psychologist who can isolate potential victims and break down their resistance to his proposals. Each conquest is part of a game in which he must “best” his fellow man.

The typical con artist is amoral but seldom violent, with an excellent sense of timing. He sincerely believes his victims deserve their fate.

## ▼ THE VICTIM

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Anyone can be a victim, even a person who considers himself too intelligent or sophisticated to be “conned.”

Many victims share certain characteristics. Often, but not always, they are older, female and live alone. They are trusting of others – even strangers – and may need or desire supplemental income. Loneliness, willingness to help, and a sense of charity are characteristics a con artist will exploit to gain a victim’s cooperation. The con artist ultimately will exploit his victim’s assets, including life insurance benefits, pensions or annuities, “nest eggs,” home equity, or other tangible property. He’ll usually obtain the willing cooperation of his victim to complete his scheme.



## ▼ KEY WORDS

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A con artist is difficult to detect. But you can often spot him by his words or expressions, including:

### ***Cash ONLY***

Why is cash necessary for a proposed transaction? Why not a check?

### ***Secret plans***

Why are you being asked not to tell anyone?

### ***Get rich quick***

Any such plan should be carefully investigated.

### ***Something for nothing***

A “retired” swindler once said that any time you are promised something for nothing, you usually get nothing.

### ***Contest***

Make sure they aren’t a “come-on” to draw you into a money-making scheme.

### ***Haste***

Be wary of any pressure that you must act immediately or lose out.

### ***Today ONLY***

If something is worthwhile today, it is likely available tomorrow, after you have examined the proposal.

### ***Too good to be true***

Such a proposal is probably not good or not true.

### ***Last chance***

If it’s a chance worth taking, why is it offered on such short notice? Avoid pressured proposals.

### ***Surplus construction material***

Leftover materials might also be stolen or defective.

## PROTECT YOURSELF

- Always remember that if it sounds too good to be true, it probably is.
- Deal only with licensed agents and companies.
- If you have any doubt, call the North Carolina Department of Insurance Consumer Services Division to confirm if an agent or company is properly licensed or if you have any insurance-related questions.
- If an agent becomes evasive or does not explain things to your satisfaction, seek other assistance or consider going elsewhere for your insurance needs.
- Do not sign a blank application or claims forms.
- Do not pay insurance premiums in cash without the receipt that has the company or agency name on it and is signed by the agent receiving the payment.
- Keep all your records and proof of payments.
- Report insurance fraud to the Criminal Investigations Division of the North Carolina Department of Insurance.

## AM I AT RISK IF I REPORT INSURANCE FRAUD?

No. Reporting insurance fraud in North Carolina in good faith exempts you from civil liability per the North Carolina General Statutes. That means that no one can take adverse action against you for reporting what you reasonably believe to be insurance fraud. It is important to know that you can report information ANONYMOUSLY as well.