

## **Appendix A**

### **CAR Special Investigative Units Standards Section 2 – Commercial Policies**

The reduction of insurance fraud, by monitoring and coordinating the investigation of suspicious claims, is an important goal of Commonwealth Automobile Reinsurers. It seeks the achievement of three beneficial results:

1. Successful resistance to the payment of fraudulent claims
2. The establishment of a deterrent to fraud
3. The reduction of losses, with the consequent improvement in insurance rates

In order to achieve these results, Servicing Carriers must pursue the investigation of fraud by establishing a commitment to support and encourage the activities of their Special Investigative Units.

#### **CAR Special Investigative Unit**

The CAR Special Investigative Unit, as part of the Compliance Audit Department exists under the authority of Article III of the Plan of Operation. It is charged with monitoring the efforts of Servicing Carriers to control fraud. In addition, it will assist Members and Servicing Carriers on request. CAR will perform a biennial audit of the Special Investigative Unit of each Servicing Carrier as part of the HAP audit to evaluate its effectiveness.

Assistance of the CAR Special Investigative Unit is intended to provide expert investigation beyond the capabilities of the average Servicing Carrier's investigator. The basic investigation of a suspicious claim is the responsibility of the Servicing Carrier. CAR Special Investigative Unit will also assist with the coordination of an investigation involving several Servicing Carriers.

#### **CAR Standards for Servicing Carrier Special Investigative Units**

CAR evaluations of Servicing Carrier's Special Investigative Units will be based on their performance in accordance with the following guidelines:

1. Each Servicing Carrier is required by Article IV of the Plan of Operation to maintain a Special Investigative Unit to investigate suspicious claims for the purpose of eliminating fraud. A Special Investigative Unit shall be staffed by experienced salaried employees who are adequately trained in the recognition and investigation of insurance fraud. An SIU must have at least one full time employee whose responsibility is principally directed towards the recognition and investigation of fraud. The work of a Special Investigative Unit may be supplemented by closely supervised independent adjusters or investigators.
2. Each Servicing Carrier shall ensure that all automobile insurance claims, where there is a suspicion of fraud, are referred promptly to its Special Investigative Unit.
3. Each Servicing Carrier SIU shall maintain a log of cases referred to it containing at least the following information:
  - Date of Referral

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- Date of Loss
- Claim Number
- Policyholder
- Type of Claim
- Amount of Claim
- Amount Paid
- Date Completed

Copies of active pages of the log shall either be mailed or submitted electronically at the end of each calendar quarter to:

**Commonwealth Automobile Reinsurers**  
**225 Franklin Street**  
**Boston, MA 02110**  
**ATTN: Special Investigative Unit**

4. Regulation 211 CMR 75.00 establishes the National Insurance Crime Bureau as the central organization engaged in motor vehicle loss prevention as required by Section 113-0 of Chapter 175. It also requires certain actions by insurers with respect to theft claims. An insurer must, among other things:
  - A. Report all thefts to National Insurance Crime Bureau
  - B. Obtain National Insurance Crime Bureau's acknowledgement before paying claims
  - C. Report disposition of salvage
  - D. Investigate and report evidence of fraud
  - E. Defer payment in certain circumstances.
5. The National Insurance Crime Bureau (NICB) has been established as the central organization to whom insurance companies report cases of bodily injury fraud for possible further action with law enforcement agencies and criminal prosecuting authorities.

In all cases where careful further investigation has established the strong possibility of bodily injury fraud, the Servicing Carrier should forward a complete photocopy of the claim file to NICB for further consideration and action.

If a Servicing Carrier is not a member of NICB, the Servicing Carrier may refer such case directly to the appropriate local law enforcement agency for consideration of criminal prosecution.
6. The attached Auto Fraud Profile identifies circumstances in which an auto theft or fire claim should be considered suspicious. Such claims warrant careful investigation into the possibility of fraud.
7. Both law and equity dictate that a prompt and thorough investigation precede any decision with respect to payment or denial of a claim. The provisions of Chapters 93A and 176D must be borne in mind at all times. Penalties incurred by members for violations of these laws are subject to reimbursement by CAR and may not be reported as loss or allocated expense.

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8. The quality of investigation performed by an SIU is an important criterion of its effectiveness. It will be given careful consideration by CAR during an audit. It is not possible to outline every avenue of the investigation of a suspicious claim; it is limited to only by the experience and imagination of the investigator. There are, however, certain elements which are common to the investigation of suspicious fire or theft claims that should be covered in every such case referred to an SIU, or the file should reflect the reasons why they were not. They are the “guidelines” which follow:

## **CAR Standards for Investigation of Collision and Comprehensive Losses**

### **1. Interviews of Owner, Custodian, Companions, Witnesses, etc.**

A recorded statement should be obtained from the owner of the vehicle, exploring in depth and in detail the areas described below. Statements of others with knowledge of some or all of the circumstances are also important.

- The Individual Interviewed
- Name, Address, Date of Birth, Occupation, Employer
- The Vehicle

Year, make, model, identification number. When purchased, from whom, amount paid, vehicle traded in, amount allowed. If used, condition, odometer reading, improvements, if any, by insured. Amount borrowed, from whom, term of loan. Where kept when not in use. Who uses car, purpose. Service, inspection, repair. Problems.

#### **Insurance**

How long insured by this company. If short time, former carrier. Any other insurance. Recent changes of coverage. History of claims.

#### **The Loss**

Date, time, and place. Description of event. When and how the vehicle got to that location. Purpose of its presence there. Identity of witnesses. Was car locked. Who had keys. Activities between leaving car and discovery of loss. Time, place, and method of report to police. Identity of those responsible.

### **2. Police**

The owner or custodian of a vehicle which is stolen or substantially damaged must report in writing to the police. An insurer may not pay a theft claim until it has confirmed the existence of such a report. Its file should contain a copy of the report or an explanation of its absence. Police reports of the recovery of a vehicle and any investigation should be obtained. Interviews of police officers are useful in selected cases. The possibility of investigation by other governmental agencies should be considered if the claim appears to be part of an organized pattern of activity.

### **3. Claim History**

A record of the policyholder's prior losses should be obtained. The record, per se, is not evidence of impropriety, but an extensive record warrants a study of the claim files to identify patterns of activity or other information of interest. This is a fruitful source of leads.

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**4. Insurance**

A study of the underwriting file should be undertaken. A recent application and/or changes of vehicle or coverage may suggest premeditation.

**5. Mortgagee**

Inquire via telephone about the timeliness of installment payments and the amount of the loan outstanding. A history of late payments and/or a delinquency of several months suggest financial difficulty which might motivate one to destroy his/her automobile.

**6. Ownership and Value**

Copies of the Bill of Sale, the Application for Title and/or Registration, and the Title should be obtained. These establish ownership, identify the prior owner, and establish the value at the time of purchase. Inconsistencies of purchase price suggest dishonesty. Seek verification by the seller of the price and condition at the time of sale. Be alert to prior use as a public or private livery vehicle.

**7. Betterment**

It is often claimed that the value of a vehicle has been enhanced by the addition of special equipment or by cosmetic improvements. Receipts for such things should be requested, and if received, verified.

**8. Service and Repair**

The interview with the policyholder and the examination of the vehicle should cover the service and repair history of the vehicle. The inspection sticker and stickers recording oil changes and lubrication will provide leads, as may the contents of the glove compartment. Investigate recent service and repair activity to identify problems which might provide a motive for destroying the automobile.

**9. The Vehicle (When available)**

A careful, thorough, and early examination of the vehicle is important.

- A. Start with the plate bearing the vehicle identification number. Look for evidence of tampering, either of the plate itself or of the rivets that hold it in place. Record the complete number by placing a paper over it and rubbing it with a pencil. Report whether the number is consistent with the type and model of the vehicle and consistent with the policy.
- B. Abundant clear photographs should be obtained of the engine, passenger, and trunk compartments and all areas of the exterior, including wheels and tires. The engine, the ignition lock, and the registration plate particularly are important. Don't mark the face of a photograph; it may destroy its value as evidence.

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- C. Determine the odometer reading. Report whether it is consistent with the age and condition of the vehicle and with the mileage reported by the owner.
- D. Examine the ignition lock. Report whether there is evidence of damage and whether it contained a key.
- E. Report whether the glove or trunk compartments contain the usual articles. Take possession of bills related to service, repair, or improvements. A thief has no interest in the usual contents; their absence may suggest removal by the owner in anticipation of a loss.
- F. Examine the inspection sticker. Report when and where it was inspected, whether it is current, or whether there is a rejection sticker.
- G. Examine the registration plate. Report the date of expiration.
- H. Record date on service or oil change stickers.
- I. Try to distinguish old damage from new. The presence or absence of dirt and/or rust should be considered. Report evidence of recent changes of wheels or tires.
- J. Consideration should be given to wear and tear, mechanical and electrical failures, and missing parts and equipment.
- K. Determine the level and condition of crankcase and transmission oil, brake fluid, and radiator coolant.
- L. In selected cases, a professional analysis of the ignition, the engine, or the transmission may be warranted.

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#### **Auto Fraud Profile**

The following items should serve as indicators in determining whether an investigation, beyond normal claim handling, is justified in the processing of all automobile claims. None of these indicators is necessarily incriminating. Perfectly appropriate claims can often bear these characteristics. These items are presented only to provoke further thought on the part of the claim adjusters when one or more of the indicia are present. A common sense approach to potential fraud investigation is recommended; therefore, any factor that suggests that a fraudulent claim is being made is worth discussing with your SIU.

#### **Collision & Comprehensive Fraud Indicators**

##### **Vehicle**

- Late model vehicle with unusually high mileage
- Completely burned
- High value extras on inexpensive vehicle
- Allegedly numerous repairs prior to theft
- Extensive collision damage, especially if no collision coverage
- Inspection sticker expired, altered or otherwise defective
- Ignition or steering lock intact
- Excessive mileage on leased vehicles
- Previous total loss
- Missing parts surgically removed
- Registered other than in the state of residence
- Grey market foreign car or American diesel
- NICB difficulty in matching the VIN to the vehicle
- Purchase price exceptionally low

##### **Loss**

- Loss near inception of policy
- Fire late at night in remote area
- Loss prior to titling and registration
- Loss reported unusually late
- Loss near date of cancellation

##### **Insured**

- Occupation does not justify expensive vehicle
- Insured avoids use of mail
- Loan payments late
- Insured is suspiciously knowledgeable of insurance terminology and the claim process
- Insured exceptionally anxious to settle
- Insured uses a PO Box, hotel, or motel as her/her address
- Insured in obvious financial difficulty
- Insured is unemployed and without visible means of support
- Insured or friend locates the stolen vehicle
- No report to police
- Bad loss record
- Insured is evasive as to identity of prior owner of vehicle
- Insured wants to retain total loss
- Insured recently purchased stated value policy
- Insured has no phone and can not be contacted at work

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Coverage

- Coverage increased just prior to loss
- No lien holder on new model, or lien holder is an individual rather than lending institution

Purchase

- Title is a duplicate or none available
- Previous owner can not be located

**Bodily Injury, Including No-Fault**

The Accident

- No witness
- Police report fails to verify accident, or presence of claimants fails to verify any injury on the part of any claimant
- Other auto in accident denies involvement
- Too many claimants for described accident
- Any allegation of intentional involvement
- Description of accident does not support injuries claimed
- Claimant or insured is difficult to find; claims to be self-employed or employed by another family member
- Injuries appear to be excessive in light of details of the accident or appear unrelated to the accident

Injuries and Damages

- Treatment appears excessive for the type of injury, indicative of build-up to exceed tort threshold
- Injuries are limited to soft tissue, and recovery appears to be unusually prolonged
- Index history shows a history of claims
- The attorney and physician involved have appeared on a number of questionable cases.
- Medical bills received are reproductions of originals or bear evidence of alterations
- Wage loss not verified or wage verification form not signed, bears questionable signature or is suspicious

The Vehicle

- No verification that described vehicle involved
- Damage seems too minor for injuries alleged
- Extent and location of damage do not match allegations