

VEHICLE INSURANCE FRAUD IN FLORIDA

Florida Auto Theft Intelligence Unit (FATIU) survey of law enforcement officers points out serious insurance fraud problem in Florida; pre-insurance inspection highlighted as effective deterrent.

Fort Myers, FL, December 15, 2005 — A survey conducted recently by the Florida Auto Theft Intelligence Unit (FATIU) at its September Quarterly meeting held in Fort Myers, FL, crystallized the need for more effective vehicle-related anti-fraud programs to deter widespread insurance fraud in the State. Florida's national ranking for vehicle theft is Number Three, according to the FBI's 2004 Uniform Crime Reports. On the list of "Most Dangerous States," published by the Morgan Quitno Publishing Company (Crime State Rankings), Florida 2005 ranking is Six; in 2004 it was Number Seven.

The Southern portion of the country, the nation's most densely populated region, which accounts for nearly 36% of the nation's population, had an estimated 34.5% of all motor vehicle theft. In 2004, according to FBI statistics, more than 78,000 motor vehicle thefts were reported, with a vehicle reported stolen every 6.7 minutes. In the opinion of experienced law enforcement professionals, between 20–30 percent of these reported thefts were attempts to defraud an insurance carrier.

Focus of the survey

The purpose of this survey is to better understand how a representative sampling of Florida's law enforcement professionals perceive the nature and extent of vehicle insurance fraud, how to deter it, and the tools needed to make the role of law enforcement more effective and productive.

Objectives

The Vehicle Insurance Fraud Survey has a dual purpose: to benefit from the experience of law enforcement personnel in detecting fraudulent activities and to make law makers aware of the nature and scope of insurance fraud so that appropriate legislation can be implemented. The net gains will be in the form of more effective tools and systems to deter both organized syndicates and dishonest individuals from benefitting from criminal activities. Because insurance fraud is an economic crime that transfers money from honest citizens into the pockets of criminals, it's important not only to be on the alert for perpetrators of fraud but to have effective deterrents in place.

Survey Information

The data received as the basis of the survey was obtained from law enforcement professional from various geographic sectors throughout Florida. The respondents were participants in FATIU's Quarterly Training Meeting, held in Fort Myers, FL, in mid-September 2005. Virtually all the participants were directly or indirectly involved in the investigation of vehicle-related crimes, including insurance fraud: 60% – law enforcement; 20% – insurance industry; 14.5% – Department of Motor Vehicles; 5.45% in other vehicle-related disciplines.

SURVEY PARTICIPANT RESPONSES

Question: Do you think that a significant vehicle insurance fraud problem exists in Florida, and how prevalent is the problem?

<u>Category/Description</u>	<u>Percentage</u>
A. Minor	0
B. Major	73.0%
C. In-Between	27.0%

Question: What type of Insurance Fraud do you think is most prevalent in Florida?

<u>Category/Description</u>	<u>Percentage</u>
A. Property-Related Fraud	74.5%
B. Personnel Injury Fraud	25.4%

Question: What types of vehicle insurance fraud have you seen or heard about, in Florida, during the past two years?

Response

- Staged accidents & alleged injuries
- PIP fraud
- Cloned Vehicles [“paper cars”]
- Owner give-ups
- Owner initiated arson
- False theft reports
- Stolen titles
- Fraudulent titles
- Insurance of vehicles with existing damage
- Staged auto theft
- Fake titles for previously stolen vehicles
- Salvage frauds
- Identity theft
- Falsified theft claims for total loss pay-off
- Claimed water damage
- Rebuilt vehicle frauds
- Non-existent vehicles

Question: What type of vehicle insurance frauds do you think are the most prevalent in Florida?

Response

Salvage frauds
Paper cars
False injury claims
Cloned vehicles
Title fraud
Auto body shop frauds
Exaggerated repair claims
False theft claims
Overvaluing accessories
Arson on claims
Staged accidents
Owner give-ups
PIP fraud
Counterfeit VINs

Question: Of the cases that you have investigated during the past two years involving reported vehicle theft, or others, what percentage do you believe were attempts to defraud an insurance company?

Response

% of Participants answered	% Attempts to defraud an insurance carrier, by incident
2 - 4%	4.8%
05%	2.4%
10%	14.3%
15%	7.1%
20%	14.3%
25%	11.9%
30%	9.5%
40%	9.5%
50%	4.8%
65%	2.4%
60%	7.1%
75%	7.1%
100%	4.8%

Question: Do you feel that Florida's existing vehicle inspection law is effective?

<u>Category/Description</u>	<u>Percentage</u>
A. Yes	0
B. No	27.0%
C. Somewhat	51.0%

Question: Do you think that the addition of photos could improve the effectiveness of the inspection program in Florida?

<u>Category/Description</u>	<u>Percentage</u>
A. Yes	90.9%
B. No	0
C. Somewhat	9.09%

Question: Are you familiar with how information acquired during vehicle inspection is used as part of an inspection database system?

<u>Category/Description</u>	<u>Percentage</u>
A. Yes	24.0%
B. No	51.0%
C. Somewhat	25.0%

Question: From your experience, what types of fraud do you think the inspection process, with photos, could deter?

Response

- Falsified damage reports
- Adjustments to property claims
- Cloned vehicles
- Insurance of non-existent vehicles
- Total loss payoff frauds
- Claims for prior damage
- Paper car frauds
- Salvage and rebuilt vehicle claims
- VIN switching
- Inflated equipment claims
- Title frauds
- Body shop scams
- Salvage frauds
- VIN tampering
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Question: Would the availability of a Florida vehicle inspection database, complete with photos, significantly improve your “tools” and investigative capabilities?

<u>Category/Description</u>	<u>Percentage</u>
A. Yes	88.5%
B. No	0
C. Somewhat	11.5%

Survey Summary

The results of the Vehicle Insurance Fraud Survey indicate that insurance fraud, as a major component of vehicle crime, is of considerable concern to law enforcement professionals, including insurance company Special Investigative Units (SIUs) and DMV investigators. In quantifying the response, based on individual perception as to the prevalence of vehicle insurance fraud in Florida, 73% responded that it was a major problem, with 74.5% feeling that property-related fraud was the most common occurrence.

It should be noted, with regard to the outstanding job being done by law enforcement and the state's insurance fraud group, that Florida's Department of Insurance Fraud has the highest rate of insurance fraud investigation and arrests in the country.

With regard to the need for better systems and investigative "tools", 88.5% of the responses felt that the availability of a comprehensive inspection program was desirable. And while only 51% of the survey participants felt that Florida's existing inspection law — was only "somewhat" effective, and 27% felt that it was not effective, 88.5% felt that the availability of a comprehensive inspection database — complete with photos, would significantly improve the capabilities of law enforcement. Regarding the addition of photographs, 90.9% felt that this would improve the effectiveness of Florida's inspection program.

About FATIU

The Florida Auto Theft Intelligence Unit (FATIU) was founded in 1972 in response to the growing auto theft problem facing Florida. FATIU's purpose is to help those professionals auto theft investigators to exchange information about auto theft and to train law enforcement officers and prosecutors on how to solve and prosecute auto theft cases. As the membership grew (today FATIU has in excess of 450 members), FATIU became involved in training law enforcement officers and prosecutors in the areas of boat theft, heavy equipment theft and insurance fraud. FATIU is a not-for-profit organization and is affiliated with the International Association of Auto Theft Investigators (IAATI).

FATIU also works with prosecutors and legislators on proposed legislation that will affect auto/marine theft and insurance fraud. FATIU also has quarterly training classes that are held around the state. These classes are open to law enforcement, the car rental industry, the insurance industry and any other professionals who are interested in attempting to curb auto/marine theft and insurance fraud.

- For additional information about FATIU please visit www.fatiu.org
- For additional information about pre-insurance vehicle inspection as an insurance fraud deterrent, please contact:

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