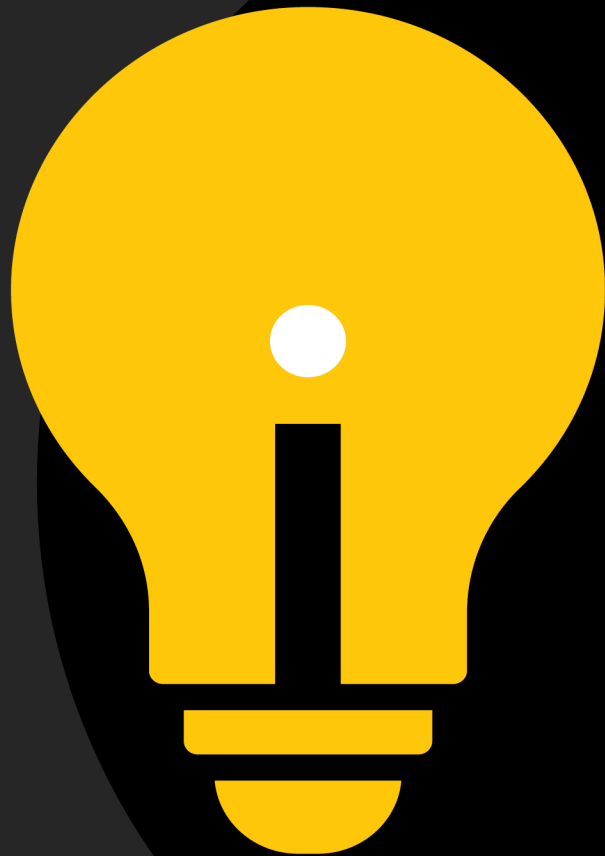


# NAIC | INSURANCE 2022 | SUMMIT

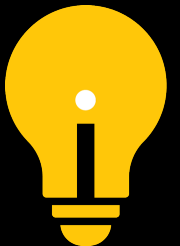


## INSURANCE FRAUD DISASTER AND CATASTROPHIC LOSSES

- Amy Bach, *United Policyholders*
- John Chavez, *FEMA*
- Matthew Smith, *Coalition Against Insurance Fraud*

**September 22, 2022**

# POST-DISASTER FRAUDULENT ACTIVITIES



# CONSUMER ADVOCATES



**FEMA**



**Coalition Against  
Insurance Fraud**





John Chavez, Voluntary Agency Liaison Group Supervisor,  
Individual Assistance | Recovery | FEMA Region IX



## DISASTERS LARGE AND SMALL

- House fire –common hazard causing over 200,000 injuries per year
- Category 5 hurricanes
- Flooding events
- “The Big One” (New Madrid), Loma Prieta, Northridge (CA)
- Wildfires in CA, CO, AZ, NM, OR, WA

# EMERGENCY DECLARATION

- A governor may declare a state of emergency and invoke the state's emergency plan
- A governor may determine that the recovery appears to be beyond the combined resources of both the state and local governments
- The Governor must certify that the severity and magnitude of the disaster exceed state and local capabilities;
  - Federal assistance is necessary to supplement the efforts and available resources of the state and local governments, disaster relief organizations, and compensation by insurance
  - confirm execution of the state's emergency plan
  - certify adherence to cost sharing requirements

# DAMAGE ASSESSMENT



- **Determine impact and magnitude of damage caused by a disaster**
- **Federal & State emergency management and Agencies, county, local, & Tribal officials**
- **Summarize damage to homes, businesses, the public sector, and community as a whole**
- **Reviews the types of damage and emergency costs incurred by the State, and the impact on critical facilities**



# DISASTER DECLARATION

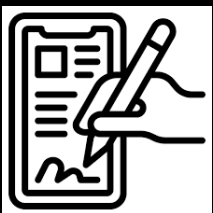
- **Factors assessed to determine the severity, magnitude, and impact of a disaster event.**
  - Amount and type of damage (number of primary residences destroyed or with major damage)
  - Impact on the infrastructure of affected areas or critical facilities
  - Imminent threats to public health and safety
  - Impacts to essential government services and functions
  - Insurance coverage in place for homeowners and public facilities
  - Assistance available from other sources
  - State and local resource commitments
  - Frequency of disaster events over recent time period

# SEQUENCE OF EVENTS FOR INDIVIDUAL ASSISTANCE IN FEDERALLY DECLARED DISASTER

- Local Government & Voluntary Agencies engage
- **Personal Insurance:** Owner, Renter, NFIP, Earthquake
- FEMA, SBA, other Federal – VA, IRS, USDA
- Long Term Recovery Groups
- Disaster Case Managers, “Navigators”

# REGISTER FOR ASSISTANCE (INSURED OR NOT)

- Federal/State programs may provide financial assistance or direct services to eligible individuals who, as a direct result of a major disaster, have expenses and needs and are unable to meet such expenses or needs through other means
- Must be Primary Residence
- Programs help towards recovery and are not intended to return all homes to pre-disaster condition



# REGISTRATION FRAUD



- Identity **MUST** be verified (Risk Status Warnings)
- Applicant **MUST** submit documents to satisfy identity proofing requirements
- Proof of ownership/occupancy may be requested
- Funds cannot be used to pay for exact item from another source of funding – Duplication of Benefits
  - (Case Managers and Recovery Groups also look for this)
  - (Clothing is expendable and NOT considered duplication of benefits)
- Fraud & Price Gouging [stopfema fraud@fema.dhs.gov](mailto:stopfema fraud@fema.dhs.gov) (202) 212-4926

# RESPECTIVE ROLES OF THE “TEAM”

- **Government:**

- Local
- County
- Tribal
- State
- Federal

- **Private Sector**

- Voluntary Agencies
- Faith-Based Community
- Social Service agencies
- Service Providers
- Business/Industry



## VOLUNTARY/FAITH BASED AGENCIES

- First to Arrive...  
Last to Leave
- Community-based
- Community sensitive/trusted
- Mobilize quickly providing immediate response
- Often on the scene prior to declaration

# LONG-TERM RECOVERY GROUPS

- Establish a coordinated method of addressing the unmet recovery needs of individuals and their families:
  - Provide Case Work/Case Management
  - Prevent duplication of benefits
  - Access ALL possible resources
  - Screen fraudulent requests
  - Ensure confidentiality
  - Empower those affected



# COMMON CHALLENGES

**Lack of desire to accept responsibility for recovery process:**

- **“Not our problem”**
- **“It’s FEMA’s responsibility”**
- **“It’s some other agency’s job”**
- **Uninsured or Underinsured**
- **Most in need receive the largest awards but are often the very ones that may have difficulty formulating effective individual recovery plans**
- **Scam artists and bogus ‘Assistance Groups’**
- **Hurricane Harvey caused an estimated \$125 billion in damage. Available information estimates that funds from insurance, philanthropy, and federal assistance totaled \$26.5 billion, about 21 percent of the total estimated damage**

# UNINSURED, UNDERINSURED

- Uninsured Owner or Renter should register if Primary Residence
- Assistance NOT given for losses covered by insurance
- Underinsured may appeal
- If maximum settlement received and still have needs, one must send a letter to FEMA and documentation from insurance company for review
- Insured applicant has up to 12 months from date of registering with FEMA to submit insurance information for review. Money cannot be given for losses covered by insurance.

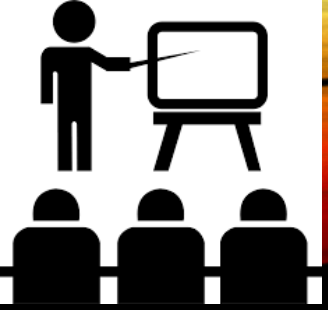
# SCAMS AND REMEDIES

- Fake Contractors, Aggressive Adjusters
- Scammers claiming to be with FEMA, Insurance Company or a State or Federal employee (Check I.D.s!)
- Scammers who try and collect a fee for applying for assistance from FEMA or State (no such thing)
- False Charities, Recovery Support Groups
- Checks stolen (use Direct Deposit)
- Opportunistic Fraud – padding a claim
- If it sounds too good to be true, it probably is!



# FEMA'S ANTI-FRAUD EFFORTS

- At the point of registration FEMA has data points for identifying potential duplicate/fraudulent applications. Same SS#, co-reg SS, # duplicated, same Damaged Dwelling (DD) address; same DD phone #; same Electronic Funds Transfer; and also same Deceased person's name or Social Security# which was mostly used for COVID disasters.
- Then after someone is registered there are scripts that run for Risk Status Warnings.
- National Processing Service Center staff are assigned to review potential fraud cases



# PREPARE FOR A DISASTER

- **Pre-disaster, become familiar with established**
  - **Response programs**
  - **Recovery programs**
  - **CERT**
  - **VOAD**
- **Community should have Emergency Operation Plan**
  - **Channeling and disseminating Donations**
  - **Managing Unaffiliated volunteers**
  - **Long Term Recovery/Unmet Needs Committee**
- **Review NAIC Insurance Disaster Response Plan**
- **Be Prepared and be insured!**



Matthew Smith

Executive Director, Coalition Against Insurance Fraud

Amy Bach

Executive Director and Co-Founder, United Policyholders



# THE CONSUMER IMPACT OF NATURAL DISASTERS

# THE COST OF NATURAL DISASTER FRAUD – INSURED LOSSES ONLY

\$551 Billion  
over 10 years



**INSURANCE  
INFORMATION  
INSTITUTE**

Year	In dollars when occurred	In 2020 dollars (2)
2011	\$48.4	\$56.3
2012	63.5	72.3
2013	24.1	27.2
2014	23.2	25.6
2015	22.9	25.3
2016	31.6	34.5
2017	130.9	133.1
2018	60.4	62.7
2019	38.7	39.6
2020	74.4	74.4

# NATURAL DISASTER FRAUD CONSUMER COST

Conservative estimates\* put P&C insurance fraud at 10% of all claims paid. For natural disasters the number is generally considered to be far higher.

Using the \$551B figure:

- 10% = \$55.1 B
- 12% = \$66.1 B
- 15% = \$82.6 B
- 18% = \$99.1 B

\*Battelle Seattle Research Center



# HOW NATURAL DISASTER FRAUD OCCURS

Contractor and Repair Scams

# CONTRACTOR AND REPAIR SCAMS

- Requiring an up-front advance then not showing up to do the work
- Promising to “absorb” the policyholders’ deductible then cutting corners on the job
- Substandard work/incomplete work



# CONTRACTOR AND REPAIR SCAMS

- People who claim to be FEMA Housing inspectors but aren't
- Fake offers of local or federal assistance/People who seek your FEMA # or other personal financial info
- Adjusters/Contractors/Attorneys that take an assignment of insurance benefits or contingent fee on insurance benefits but don't do any work to adjust loss/settle claim
- Restoration/Remediation vendors who charge to clean items that should be discarded/can't be cleaned





# "STORM CHASER" SCAMS

# STORM CHASER SCAMS

- Postcard/door-to-door/email marketing campaigns promising a new roof, new windows, etc.
- “Shingle rippers” who damage undamaged items to increase the scope and cost of work





**INSURANCE CLAIM FORM**

Failure to complete this form in its entirety may result in a delay in processing this claim.

**FILING CLAIM FOR** (check all that apply):  
☐ Accidental Injury Only  
☒ Injury With Disability

**Accident Policy Number** 11-11-11-11  
**Short-Term Disability Policy Number** 22-22-22-22  
**Hospital Indemnity Policy Number** 33-33-33-33  
**Medical Expense Policy Number** 44-44-44-44

**Life Policy Number** 55-55-55-55  
**Specified Health Event Policy Number** 66-66-66-66

**INSTRUCTIONS:**

- Complete Section A, Policyholder/Patient Information.
- Have your doctor complete Section B, Physician's Statement.
- If you are filing for disability, have your employer complete and sign Section C, Employer's Disability Statement.
- Be sure to sign your claim form at the bottom of Page 1.

**ADDITIONAL NOTES:**

- Submit all bills related to this claim such as ambulance, follow-up visits, physical therapy, etc. All bills should be itemized and should include the diagnosis, services rendered and actual charges for the service.
- If you were treated in the emergency room, send us a copy of the emergency room report.
- If you were treated in the police accident room, send us a copy of the accident report.
- If you were treated in the hospital, please send a copy of your hospital bill that shows charges and the number of days you spent in the intensive care unit.
- If the patient is deceased, please send a copy of the death certificate.

**REJECTED**

# How Natural Disaster Fraud Occurs

## Insurer actions

A man with a mustache, wearing a striped polo shirt and suspenders, is standing at a construction site. He is holding a clipboard and writing on it. A yellow tape measure is visible on his belt. The background shows a building under construction with wooden framing and a blue sky.

# INSURER ACTIONS

- Employing inexperienced adjusters without adequate training
- Standing firm on an Xactimate estimate when it doesn't match up with local pricing on materials and labor
- Applying excessive depreciation when calculating Actual Cash Value
- Discouraging policyholders from hiring professional help
- Pressuring policyholders to use insurer preferred contractor that doesn't have a good track record or references
- Bulk contracts with engineering firms that aren't adequate to cover thorough inspections, resulting in "cookie cutter" reports



# How Natural Disaster Fraud Occurs

Consumer Fraud

The background of the image is a close-up of a human eye. The iris is a light blue-grey color, and a large, dark dollar sign (\$) is superimposed on it, making it the central focus. The eye's eyelashes are dark and visible. Overlaid on the eye are several translucent, wavy lines in vibrant colors: orange and yellow at the top left, red and pink at the bottom left, and teal and blue at the bottom right. These lines create a sense of motion and digital connectivity.

# INTENTIONAL CONSUMER FRAUD

# INTENTIONAL CONSUMER FRAUD

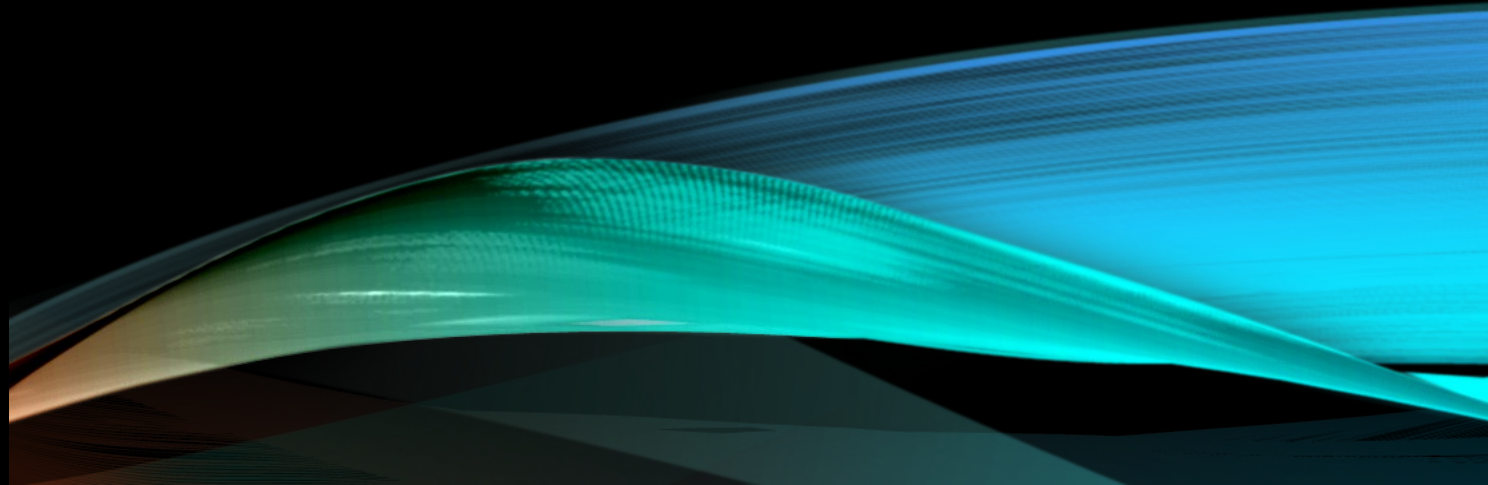
- Claiming items not owned or damaged
- Inflating condition or value of property
- Intentionally causing damage
- Referring others to known fraudsters
- Inflated ALE claims
- RCV abuses by returning items





# UNINTENDED OR CLAIM MOTIVATED FRAUD

- Contractor or adjuster intentionally or unintentionally inflates inventory, scope or estimate w/out property owners knowledge



WHERE PROPERTY OWNER ASSUMES  
INSURER WILL LOWBALL/UNDERVALUE,  
THEY MAY INFLATE TO COUNTERACT

- Value and/or condition of items on contents inventory
- Pushing for a settlement based on the highest dwelling repair/ replacement estimate when there's a mid-range that's more reasonable

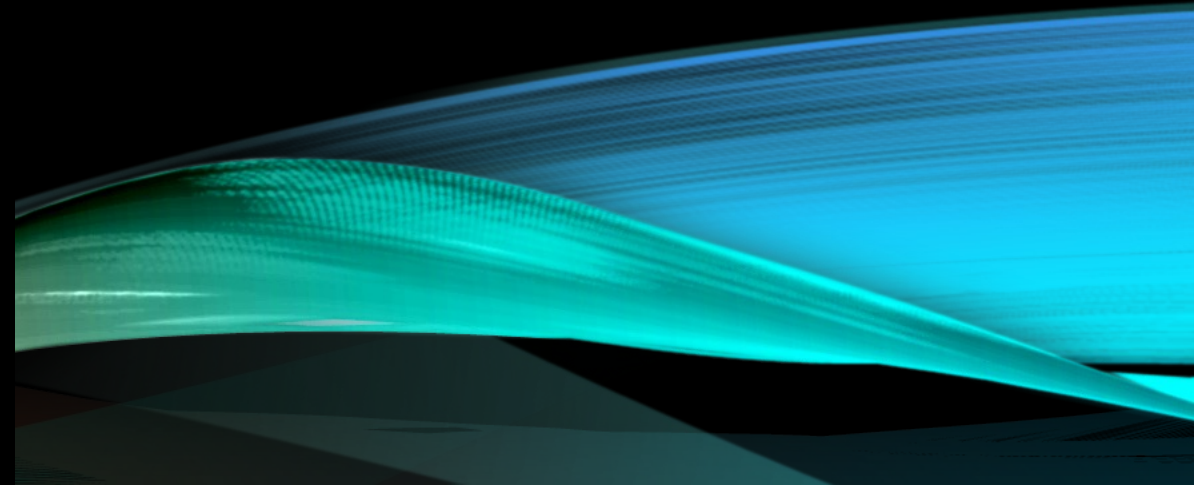




# DISPARATE IMPACT OF NATURAL DISASTER FRAUD



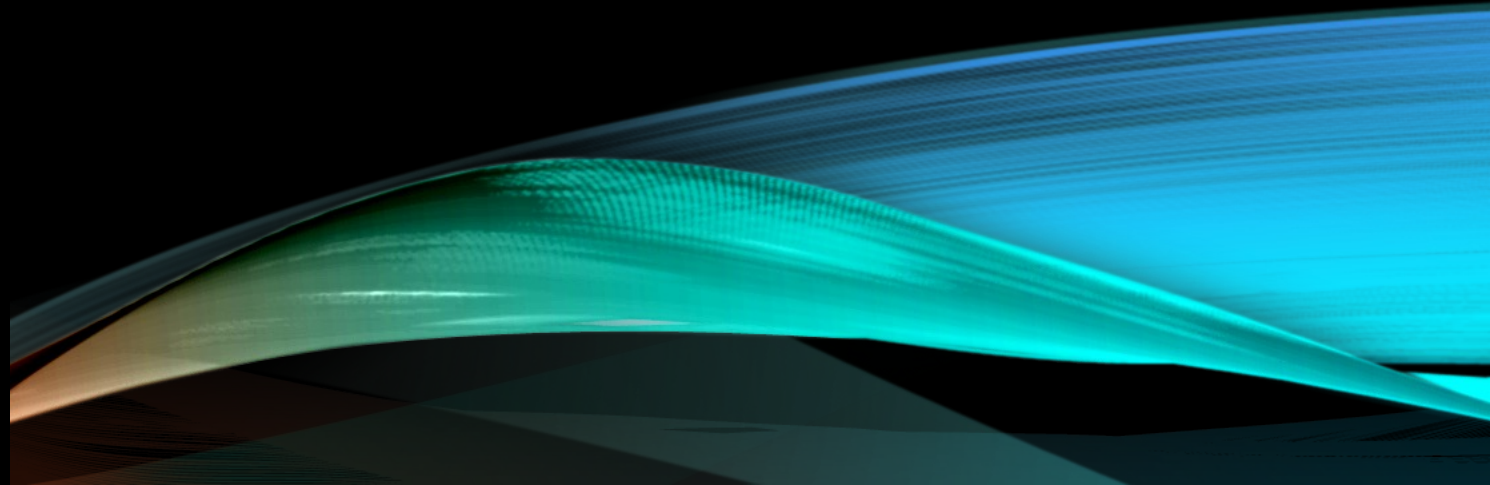
# DISPARATE IMPACT – FRAUDSTERS & SCAMMERS





# INSURER RESPONSES

- SIU UNITS
- EUOS
- DELAYED/DENIED CLAIMS





# DOI ACTIONS TO PROTECT CONSUMERS

# DOI ACTIONS TO PROTECT CONSUMERS

- **Advance Planning:**
  - Disaster plans in place to address fraud.
  - Emergency approval plans for adjusters and contractors.
  - CSLB coordination.



# DOI ACTIONS TO PROTECT CONSUMERS

- Consumer Warnings
  - In advance
  - Post disaster





# DOI ACTIONS TO PROTECT CONSUMERS

Insurer response plans and anti-fraud plans.



# DOI ACTIONS TO PROTECT CONSUMERS

Prosecution of disaster fraudsters

The background is a photograph of a roof with dark brown shingles. A yellow and black power drill is on the left, and a screwdriver is on the right. There are colorful, wavy, translucent overlays in red, orange, yellow, and blue across the image.

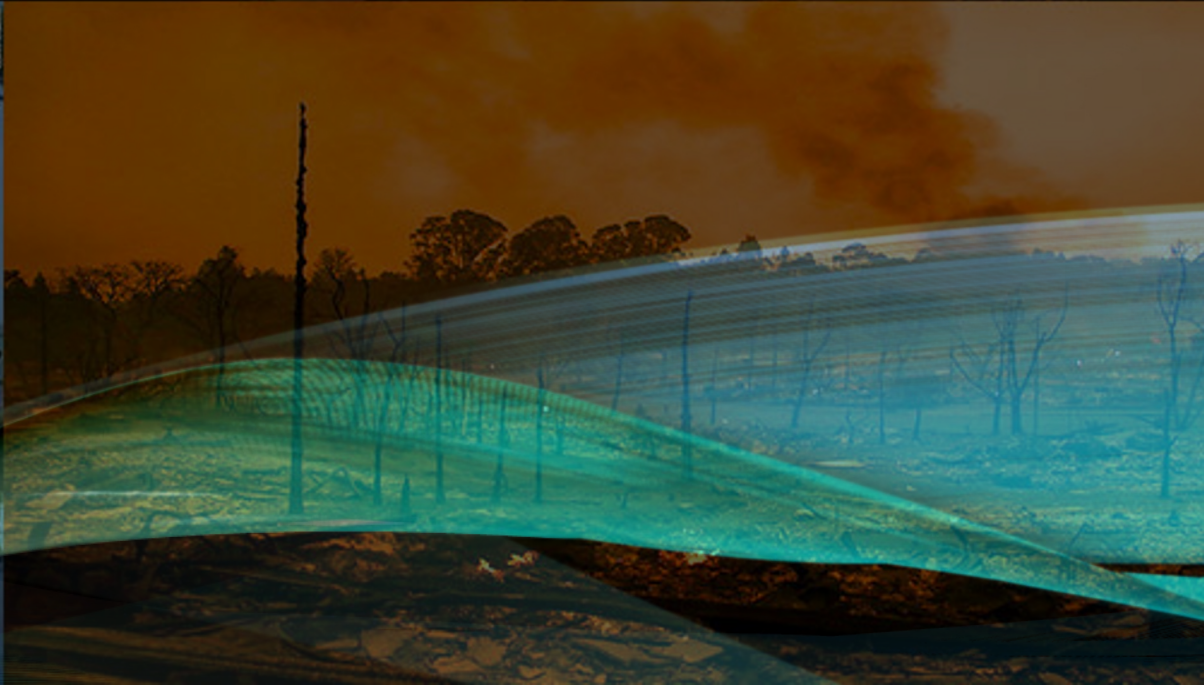
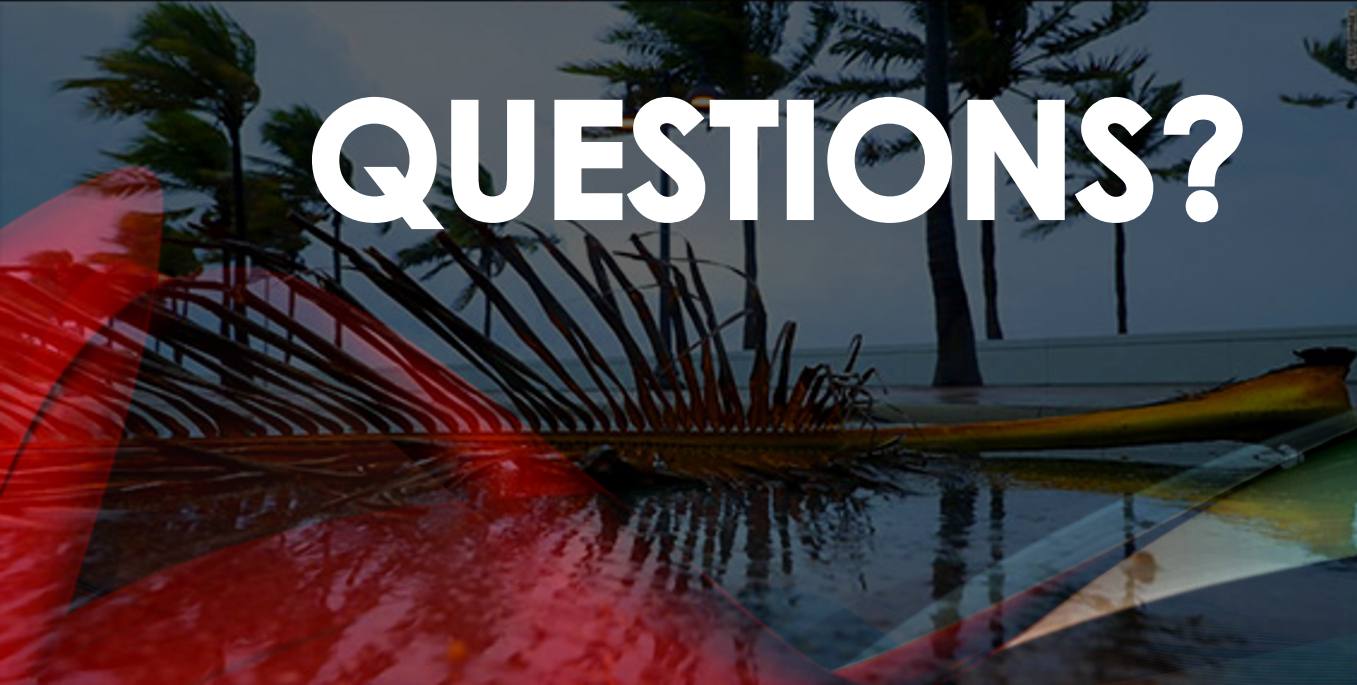
# ACTIONS TAKEN

## Legislation

- AOB reform
- Solicitation bans (7 day dark CA)
- Tort reform pros and cons



**QUESTIONS?**





**FEMA**



**Coalition Against  
Insurance Fraud**