

# PRESS RELEASE

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### **Department of Insurance To Issue Citations For Insurance Fraud**

To combat isolated and lower dollar amount instances of insurance fraud, the Arizona Department of Insurance Fraud Unit is implementing a citation-in-lieu-of-detention program on August 1, 2002, starting in Maricopa County.

Those who commit single, lower dollar amount acts of insurance fraud, including attempted insurance fraud, may now be issued a citation for a misdemeanor or petty offence. Acts subject to citation will include theft under \$250, attempted theft, solicitation of theft, solicitation of fraudulent insurance claim, solicitation of insurance fraud, false reporting, and unlawful solicitation of a tort victim at the scene of an accident. The Department of Insurance worked closely with the Attorney General's Office and the Maricopa County Justice Courts to develop this program.

Insurance fraud is committed in large and small amounts. In addition to organized, large scale fraud schemes, the Fraud Unit also sees these individual acts of lower dollar amount fraud. These smaller cases of fraud are referred to as "soft" or opportunistic fraud. The Fraud Unit has historically focused its limited resources primarily on major offenders. However, it has become clear that a large percentage of insurance fraud is comprised of smaller, individualized acts, perpetrated by people who are not engaged in fraud as an occupation. It is estimated that 11 to 30 cents of every claim dollar is lost to "soft" fraud<sup>1</sup>. "The Department of Insurance developed this cost-effective way to increase deterrence of the isolated and lower dollar offenses which aggregate to a big part of the overall insurance fraud problem," said Charles R. Cohen, Director of Insurance.

Fraudulent and inflated claims drive up insurance costs for individuals and businesses which translates to higher insurance premiums and higher prices for goods and services for everyone.

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<sup>1</sup> Insurance Research Council, 2002

Fighting insurance fraud includes changing social attitudes. The average, honest citizen would not think of stealing money out of a vendor's cash register. However, when it comes time to file a claim for repairs to their vehicle or for items stolen from their home, some people feel it is acceptable to exaggerate or inflate insurance claims. They rationalize inflated claims saying it is to cover their deductibles or to justify the premiums they have paid to this insurer over the years. However, insurance fraud is a felony<sup>2</sup> that can result in incarceration, civil penalties and restitution orders.

### **About the Fraud Unit**

The Department of Insurance is dedicated to protecting honest insurance consumers. By accomplishing its mission to deter fraud, the Fraud Unit reduces the inflationary impact of fraud that is passed on to consumers through higher costs of insurance products.

The Fraud Unit was established in the Department of Insurance in 1994 to deter, investigate and facilitate convictions for insurance fraud. The Fraud Unit is an investigative unit made up of peace officers. Since its inception, the Unit has investigated and referred for successful prosecution nearly 400 cases of insurance fraud. Prosecution of its cases is handled primarily by the Arizona Attorney General.

In Arizona, insurers are required to report claims suspected to be fraudulent to the Arizona Department of Insurance Fraud Unit. Most insurance companies have Special Investigative Units that actively evaluate claims for indicators of fraud.

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<sup>2</sup> A.R.S. § 20-466.01