

FRAUD UNIT



Dennis Pompa
Director

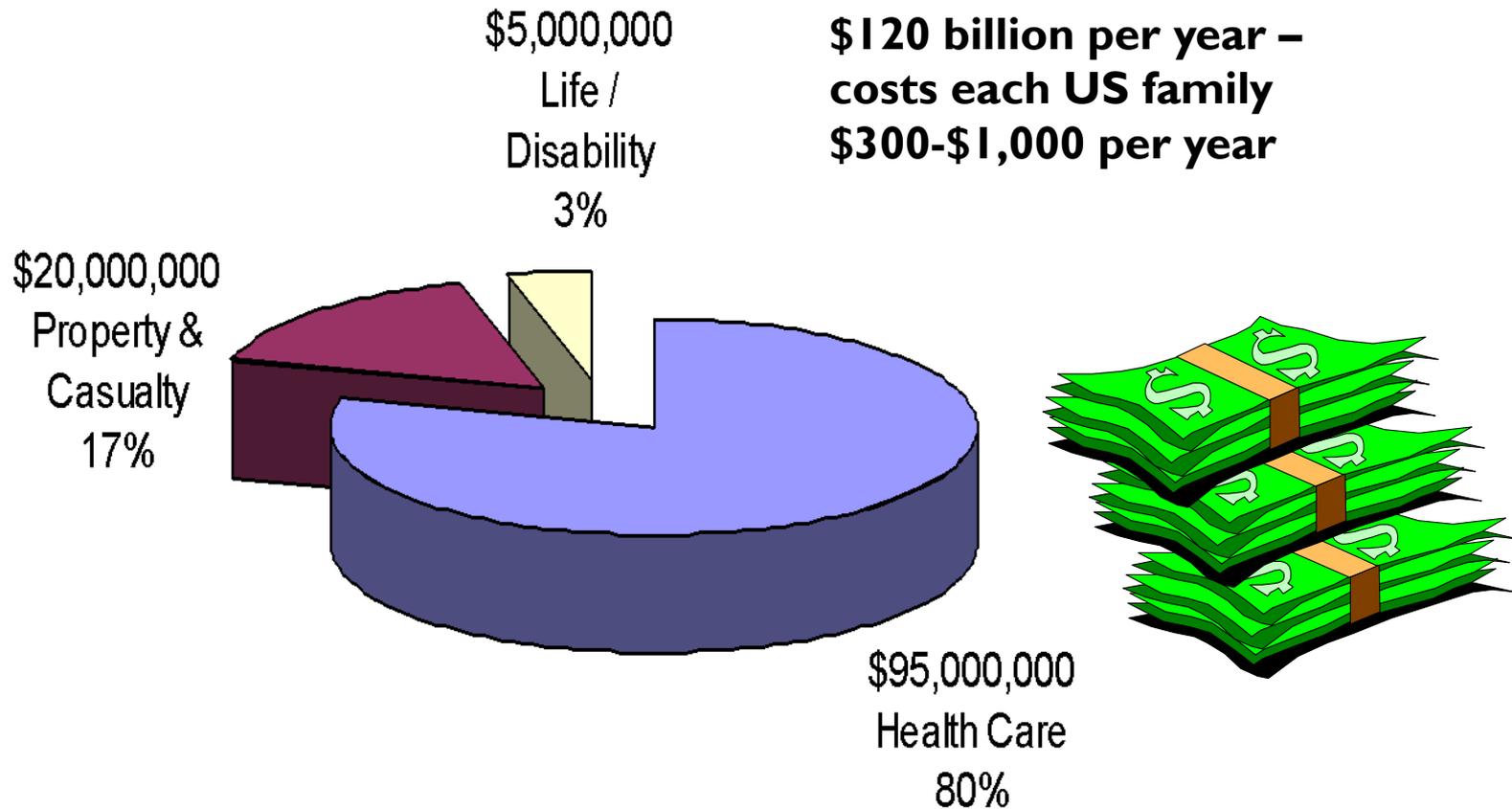
Insurance Fraud

- Insurance fraud is an intentional deception committed by applicants, policyholders, claimants, providers, agents/adjusters and company employees
- It frequently occurs during the process of buying, using, selling and underwriting insurance
- Insurance fraud is usually motivated by greed and /or financial distress

Insurance Fraud

- Insurance fraud is the second most costly white-collar crime after tax evasion
- More dollars are lost to insurance claim fraud than in all armed robberies
- Insurance fraud is a crime in Texas

The Cost of Claim Fraud



Source: Coalition Against Insurance Fraud

Fraud Unit

1991 – Statute creating the TDI Fraud Unit

- Defined fraudulent insurance act
- Fraud Unit investigative & subpoena authority
- Insurer's required to Report fraudulent insurance acts
- Confidentiality of Fraud Unit investigation.
- Immunity for persons reporting fraudulent acts

1995 – Statute enhancing Fraud Unit's investigative authority

- Fraud Unit becomes a law enforcement entity
- Employed peace officers as fraud investigators
- Penal Code Insurance Fraud Statute enacted

Fraud Unit

1995 – Insurance Fraud offense enhancements

- Property and casualty insurance and health insurance policies

2005 – Insurance Fraud penal code enhancements

- Extended the statute of limitations from 3 years to 5 years
- Added insurance application offense to the statute
- Established an aggregation clause
- Expanded statute to include all types of insurance products

What the Fraud Unit Does

- Receives reports of suspected insurance fraud
- May coordinate investigations with law enforcement and state agencies
- Interviews suspects and witnesses
- Acquires and analyzes financial, business and legal documents
- Documents the flow of money transactions
- Prepares comprehensive investigative reports for criminal prosecution

Types of Insurance Fraud Investigated

- Agent/adjuster
- Company officer
- Unauthorized/unlicensed entity
- Claim fraud
- Health insurance
- Ins Premium conversion
- Organized fraud schemes
- Life insurance
- Arson
- Provider fraud
- Disability fraud
- Workers' Comp fraud
- Application fraud
- Mortgage/title insurance
- Fraudulent insurance plans/policies

Laws That Govern Insurance Fraud in Texas

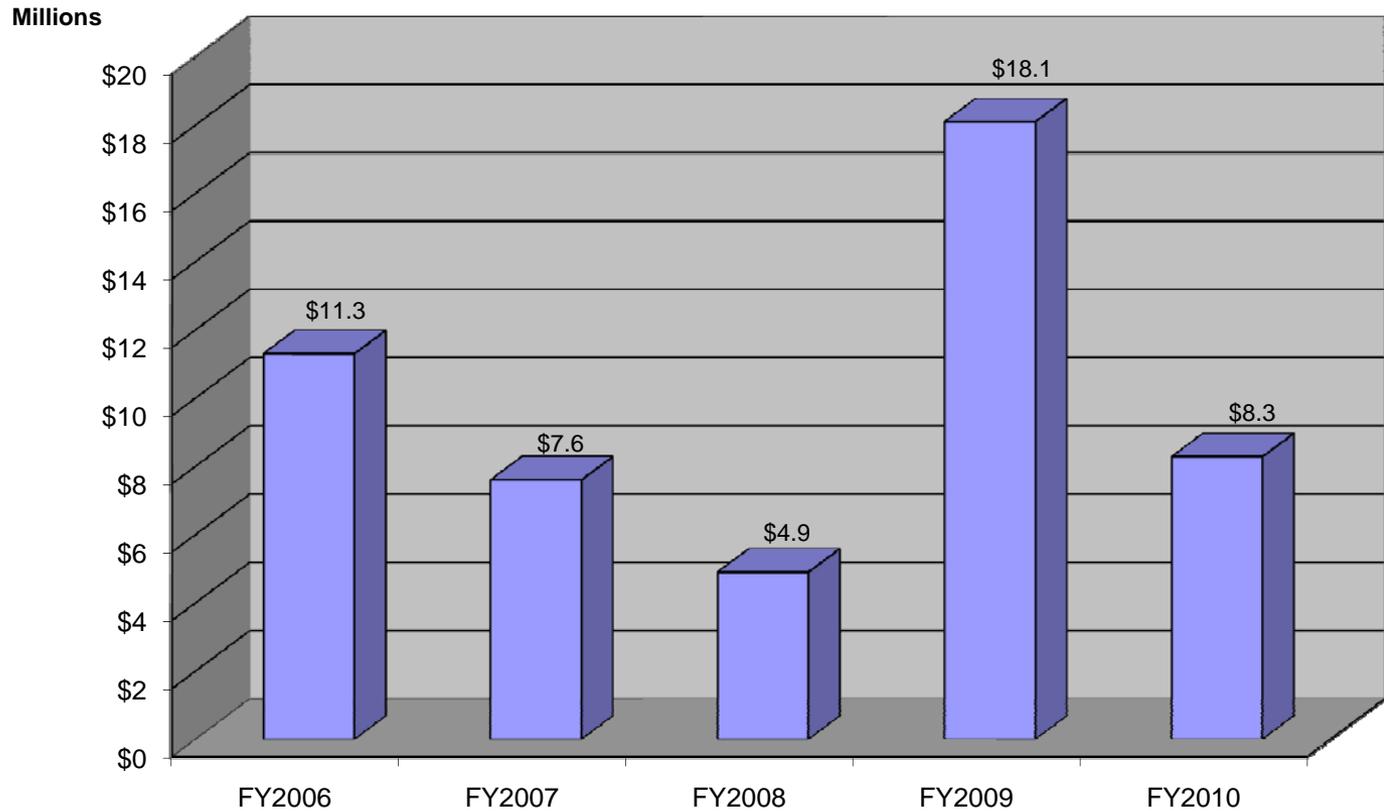
- Texas Labor Code (penal violations)
- Texas Insurance Code (penal violations)
- Texas Penal Code
 - Chapter 35
 - Theft statutes
 - Misapplication of fiduciary funds
- Federal Statutes
 - 18 U.S. Code Section 1033, 3034
 - Mail fraud
 - Wire fraud

TDI Fraud Unit Liaison Initiative

- Dallas County District Attorney
- Police departments
- District attorneys
- Texas Department of Public Safety
- Sheriff's departments
- Attorney General
- FBI
- IRS
- United States attorneys
- Texas state agencies
- Postal inspection service
- Department of Labor
- Food and Drug Administration
- Insurance company special investigative units
- National Insurance Crime Bureau

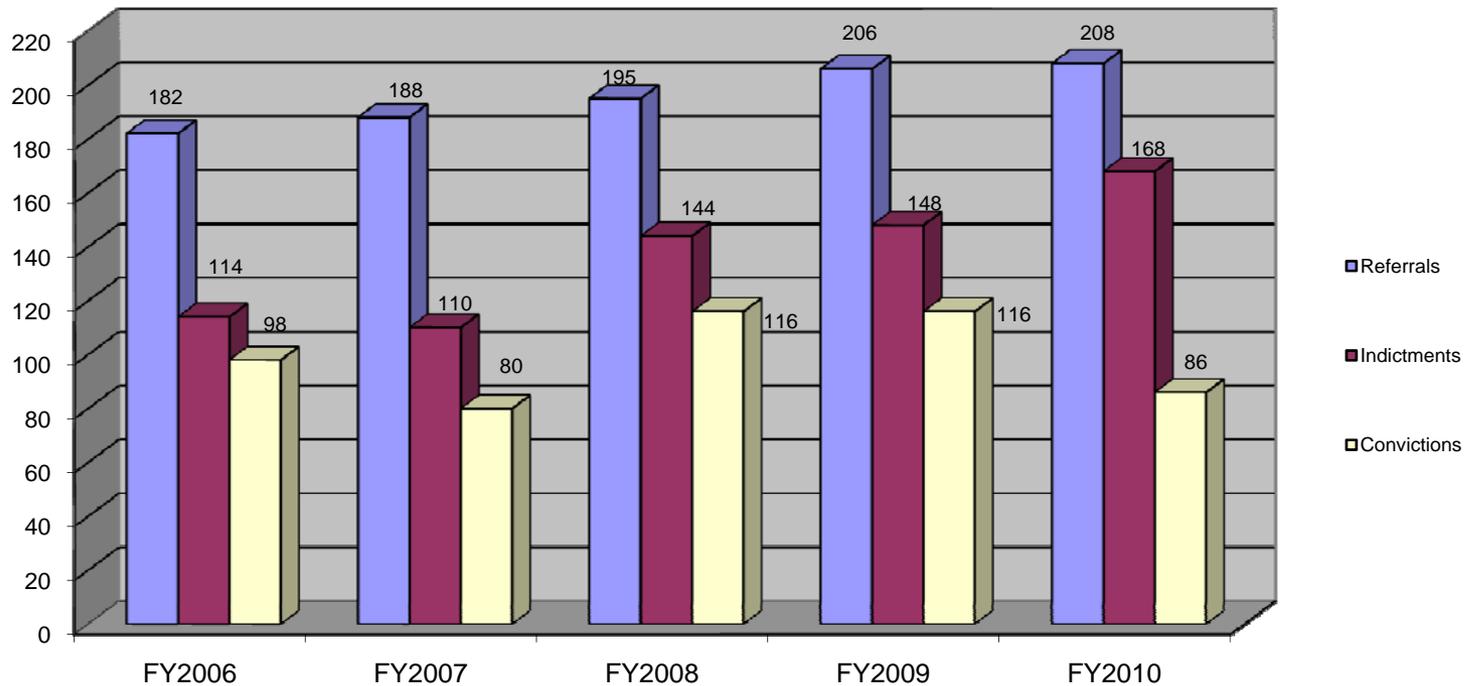
Dollar Amount of Fraud Referred

FY 2006 - FY 2010 Dollar Amount of Fraud Identified in Referrals



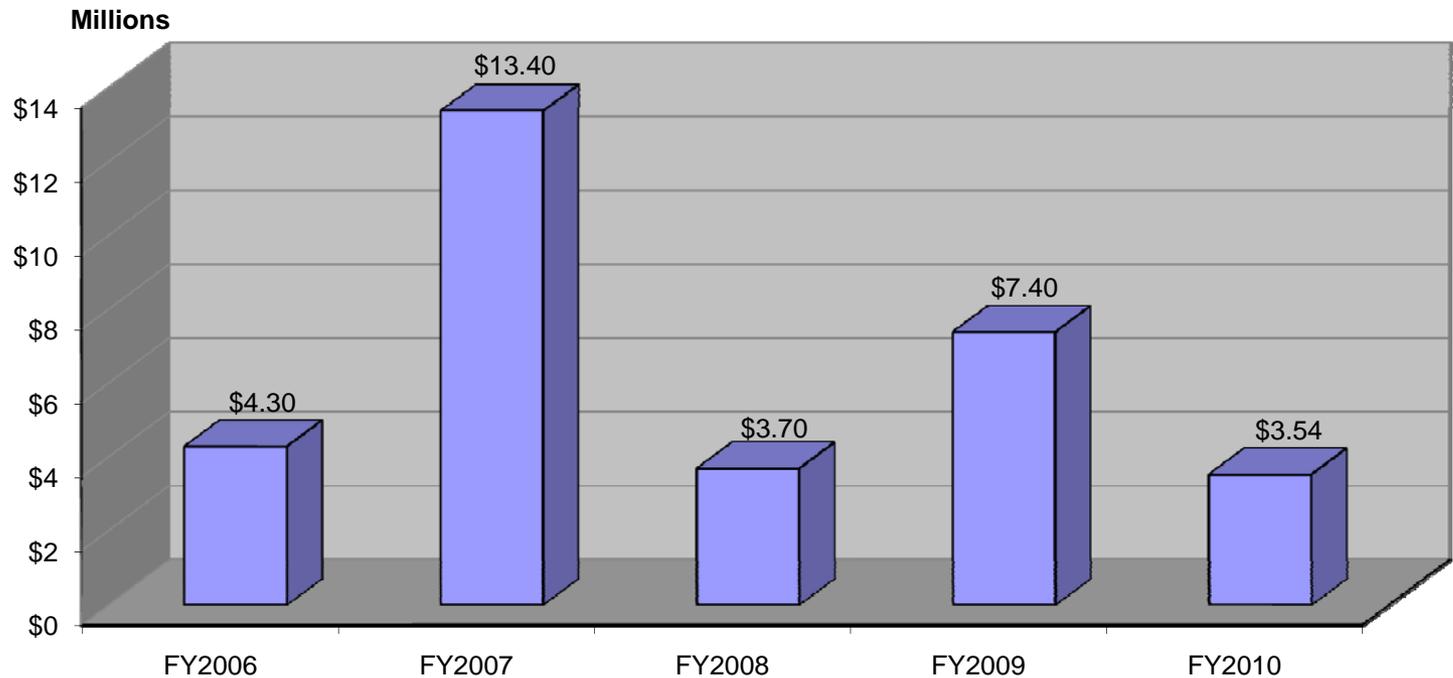
Impact in Texas

FY 2006 - FY2010 Court Actions



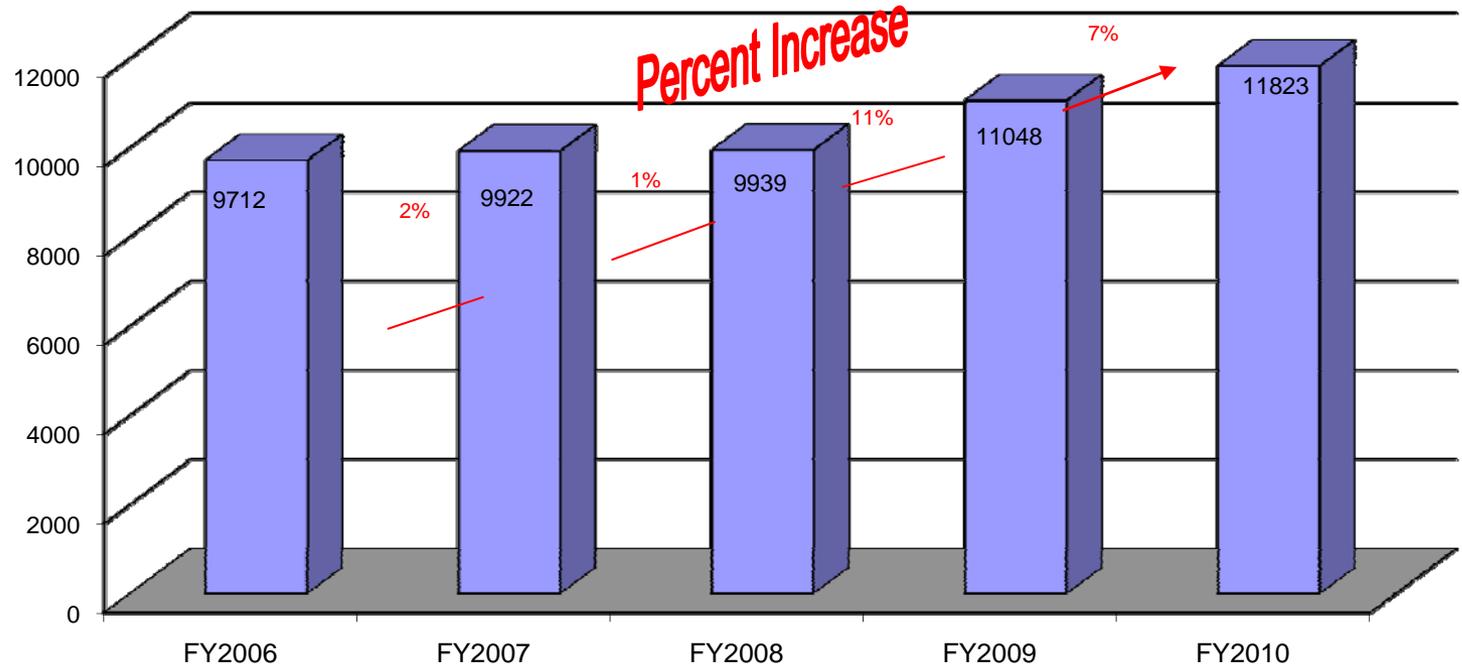
Impact in Texas

FY 2006 - FY 2010 Restitution Assessed by Courts



Impact in Texas

FY 2006 - FY 2010 Fraud Reports Received



Challenges

- Hire and retain a skilled and informed investigative workforce
- Training – latest techniques to investigate financial/business transactions
- Enhance internal and external relationships in order to meet the challenges of evolving fraud schemes
- Evaluate opportunities to extend the special prosecutor initiative to Houston
- Outreach, outreach, outreach

Reporting Fraud

Consumers may report insurance fraud by calling

1-888-327-8818

Insurance Fraud Hotline

Sponsored by Texas Department of Insurance

Online Reporting Available

www.tdi.state.tx.us

Follow link to “Insurance Fraud”