

Indicators Of Application Fraud

Detection -The First Line Of Defense

Most applicants for insurance coverage are trustworthy, but some are dishonest. Therefore, it is appropriate for the agent to review all applications for possible fraud. Determining the "fraud potential factor" of any application is facilitated when the agent is familiar with various fraud indicators.

These indicators should help isolate those applications that merit closer scrutiny. No one indicator by itself is necessarily suspicious. Even the presence of several indicators, while suggestive of possible fraud, does not mean that a fraud is being committed. Indicators of possible fraud are "red flags" only, not actual evidence.

Suspicious applications may have to be accepted for lack of conclusive evidence of fraud; however, the underwriter should be made aware of the agent's suspicions.

- Unsolicited, new walk-in business, not referred by existing policyholder.
- Applicant walks into agent's office at noon or end of day when agent and staff may be rushed. ...
- Applicant neither works nor resides near the agency .
- Applicant's given address is inconsistent with employment/income- ...Applicant gives post office box as an address.
- Applicant has lived at current address less than six months.
- Applicant has no telephone number or provides a mobile/cellular phone number .
...Applicant cannot provide driver's license or other identification or has a temporary, recently issued, or out-of-state, driver's license.
- Applicant wants to pay premium in cash.
- Applicant pays minimum required amount of premium.
- Applicant suggests price is no object when applying for coverage.
- Applicant's income is not compatible with value of vehicle to be insured-
- Applicant is never available to meet in person and supplies all information by telephone.
- Applicant is unemployed or self-employed in transient occupation (e.g. roofing, asphalt).
- Applicant questions agent closely on claim handling procedures.
- Applicant is unusually familiar with insurance terms or procedures. ...Application is not signed in agent's view (e.g. mailed in). Applicant is reluctant to use mail.
- Applicant works through a third party.
- Applicant returns the completed application unsigned-
- Applicant has had driver's license for significant period, but not prior vehicle ownership and/or insurance.
- Name of previous insurance carrier or proof of prior coverage cannot be provided.
- No prior insurance coverage is reported although applicant's age would suggest prior ownership of a vehicle and/or property.
- Significant break-in coverage is reported under prior coverage.
- Question about recent prior claims is left unanswered.
- Full coverage is requested for older vehicle.
- No existing damage is reported for older vehicle.

- Exceptionally high liability limits are requested for older vehicle inconsistent with applicant's employment, income or lifestyle. Vehicle is not available for inspection.
- Photos are submitted in lieu of inspection.
- Vehicle does not appear to be appropriate for claimed address or income (e.g. a luxury vehicle in a low income neighborhood).
- Vehicle has unusual amount of aftermarket equipment (e.g. wheels, high priced stereo, CB radio, car phone).
- Vehicle inspection by agent uncovers discrepancy between VIN listed on title/bill of sale, VIN plate on dashboard, and/or manufacturer's sticker on door .
- No lienholder is reported for new and/or high value vehicle.
- Vehicle title or authenticated bill of sale cannot be produced.
- Applicant is seeking new business coverage and has never been in any, or this type of, business in the past.
- Sound financial backing for the business to be insured is not apparent.
- Loss payee is not a legitimate lending institution (e.g. bank or finance company).