



PA INSURANCE FRAUD PREVENTION AUTHORITY

KNOW THE RISKS. KNOW THE PENALTIES.



ABOUT INSURANCE FRAUD

Why Insurance?

For most people and their families, a sudden loss of property, an accident, injury, or death presents an overwhelming and disastrous emotional and financial burden. Insurance protects us from these and other risks. People buy insurance to make life more enjoyable and to guarantee themselves and their loved ones a secure future.

Insurance policies largely fall into three general categories: life, health, and property and casualty. To protect the public, some forms of insurance, such as motor vehicle and workers' compensation insurance, have been made mandatory by law. In addition, in order to borrow money to purchase cars or homes, lenders require the purchase of insurance as a condition of financing the loan. Other insurance — such as life insurance or health insurance — has become so indispensable that nearly everyone seeks to purchase or have access to it.

What Is Insurance Fraud?

In essence, insurance fraud is a lie told to an insurance company in order to gain something of value that the person telling the lie would not receive if he or she had been honest.

Insurance fraud occurs with all kinds of insurance, including auto, homeowners, life, workers' compensation and health care. Insurance fraud can take many forms, including lies told on applications and claim forms to defraud insurers of the issue of insurance policies, charging of premiums or payment of claims.

Insurance fraud ranges from large-scale organized crime to much more common individual wrongdoing, such as policyholders exaggerating otherwise legitimate claims (known as opportunistic fraud). However, whether organized or opportunistic, insurance fraud is considered a felony that can result in arrest, prosecution, fines and legal fees — and even prison time.

Committing insurance fraud can also result in job loss and harm to personal and professional reputations and family relationships. The [IFPA's new awareness campaign](#) focuses on educating insurance consumers about opportunistic fraud and its harms in order to discourage them from making a choice they will regret.

What's the Harm of Insurance Fraud?

The business of insurance relies on mutual trust — the insurance company's trust that the consumer will be honest with them about the risks they face or the losses they have suffered and the consumer's trust that the insurance company will be there to protect them when needed. Insurance fraud and other insurance-related crimes attack that trust, increasing for insurers the costs of doing business, compelling insurers to closely examine all claims and all claimants to undergo that increased scrutiny, and eventually raising the costs of buying insurance for everyone.

According to the National Insurance Crime Bureau, insurance fraud costs Americans billions of dollars each year and is the second-most-costly white-collar crime in America behind tax evasion. Insurance fraud is truly a crime that everyone pays for, through higher insurance costs. Consumers who commit insurance fraud risk paying fines and lawyers' fees, being incarcerated, losing their jobs, becoming alienated from family, friends and community, and carrying a felony on their permanent record.

During 2014, IFPA grantees received 3,162 allegations of suspected insurance fraud and insurance-related crimes (fraud referrals), and obtained a total of 447 arrests. In addition, the work of IFPA grantees yielded 378 criminal prosecutions, 207 criminal convictions, 114 defendants diverted to rehabilitation programs, and more than \$4.5 million in restitution.

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