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COVID-19 AND THE FRAUD TRIANGLE: HOW TO PREPARE FOR AN INCREASE IN FRAUDULENT CLAIMS

The "Fraud Triangle" is widely used to visualize and understand how and why individuals engage in fraudulent or dishonest conduct. Where three common angles – financial pressure to motivate wrongdoing, opportunity to commit fraud, and rationalization regarding the dishonest behavior – come together, industries, and in particular insurance companies, realize an increase in fraudulent claims.

The COVID-19 crisis has had widespread and yet-to-be determined economic impact on virtually every industry in the country. As America's unemployed, under-employed or otherwise effected workforce begin to experience increasing personal financial hardships, insurance carriers should be aware of the potential for **increased pressure** on claimants to commit fraud. As individuals face a greater occurrence of personal financial difficulties, claimants are more likely to **rationalize** their otherwise dishonest conduct in submitting false or fraudulent claims. All that's left is an **opportunity** – and it's up to claims specialists and counsel to identify those very moments and stop fraud in its tracks.

Below is a quick-reference guide, based upon indicators of fraud identified by the National Insurance Crime Bureau (NICB), to help your company and claims specialist quickly and accurately identify potential **staged or caused loss** claims which require, at a minimum, further scrutiny. Be sure to ask these important questions as you review your claims, and always feel free to call to discuss the potential benefits of our Special Investigations Unit's involvement in your claim handling:

- **Did the report of an automobile accident come from someone other than the policyholder, or was the person purporting to be policyholder unable to provide personal details such as telephone number and address?**

- **Did the accident occur in a secluded area or late at night with only the claimant or claimants as witnesses?**

- **For hit and run accidents, does the claimant offer only vague descriptions of the striking vehicle while otherwise being very detailed in their version of events (i.e. "it was a black car," or "I think it was an SUV")?**

- **Did the accident involve sudden or unwarranted stops or lane changes?**

- **Do the claimants seem to be providing strikingly similar statements about what happened, almost as though they are reading from a script?**

- **Are the claimants unable to recall where they were going to or coming from?**

- **Does an alleged independent witness seem to know the claimant (i.e., refers to the claimant by a nickname)?**

- **Do all vehicles involved in the accident end up being towed by the same company or in the same body shop, despite having different insurance carriers?**

While screening for potential staged or caused losses, do not lose sight of the classical signs of fraud:

- ☐ **Does a minor motor vehicle impact result in significant medical bills incurred?**
- ☐ **Does the property damage not support the alleged mechanism of injury?**
- ☐ **Do the claimants all allege soft-tissue injuries?**
- ☐ **Do the claimants decline to report the accident to the police?**
- ☐ **Do the claimants refuse on-scene medical treatment, emergency, urgent care, or family doctor assistance before retaining an attorney?**
- ☐ **Did the claimant fail to report injuries at the scene to your insured?**
- ☐ **Do the claimants treat with the same ring of medical providers?**

Remember your organization's best practices for claim handling and evaluate each claim on its merits. However, stay alert to the increased potential for future fraudulent claims, and when in doubt, check the triangle.

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Ashley R. Lynam *is a partner in the firm's Special Investigations Unit with considerable experience in defending principals and their insureds from false or fraudulent claims. A former Philadelphia prosecutor, Ashley approaches each SIU claim with the investigative prowess and courtroom tenacity of her law enforcement background. For questions, please contact her directly at* ***267-570-3188.***