

A background network diagram consisting of numerous small circular nodes connected by thin, light-colored lines. The nodes are distributed across the entire slide, with a higher density in the upper right and lower right areas. The lines are thin and light-colored, creating a subtle web-like pattern.

SEAC

SOUTHEASTERN ACTUARIES CONFERENCE

BEING PART OF SOMETHING THAT COUNTS

Diligence International Group, LLC Fraud Investigations and Tools

November 18, 2021

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Today's topics

- A Tale of Two Fraud
- Elements of fraud
- Investigator's tools
- Questions

D I L I G E N C E

Acknowledgement

Some people lie on insurance applications.
Most do not, but some do.

Some people carelessly complete an insurance application. Most do not, but some do.¹

Some people lie when filing a claim. Most do not, but some do.
What is the impact?

1. In Defense of Contestability, David T. McDowell and Jarrett Ganer, Bracewell & Giuliani LLP

Acknowledgement

Claim Facts from ACLI Fact Book
(in \$1 million)

	2,016	2,017	2,018	2,019
DI Claims	19,092	19,050	19,294	19,638
LTC Claims	11,198	10,982	11,944	11,877
Life Claims	76,039	77,057	79,703	78,358
Total	106,329	107,089	110,941	109,873

Cost of Fraud

- Coalition Against Insurance Fraud says: \$80 Billion / year
- FBI says: \$40 Billion / year for non-medical insurance fraud
- Minnesota Department of Commerce: second only to narcotics trafficking
- No one knows the amount that is successful
- Results:
 - Built into tables
 - Less diligent companies will pay higher share

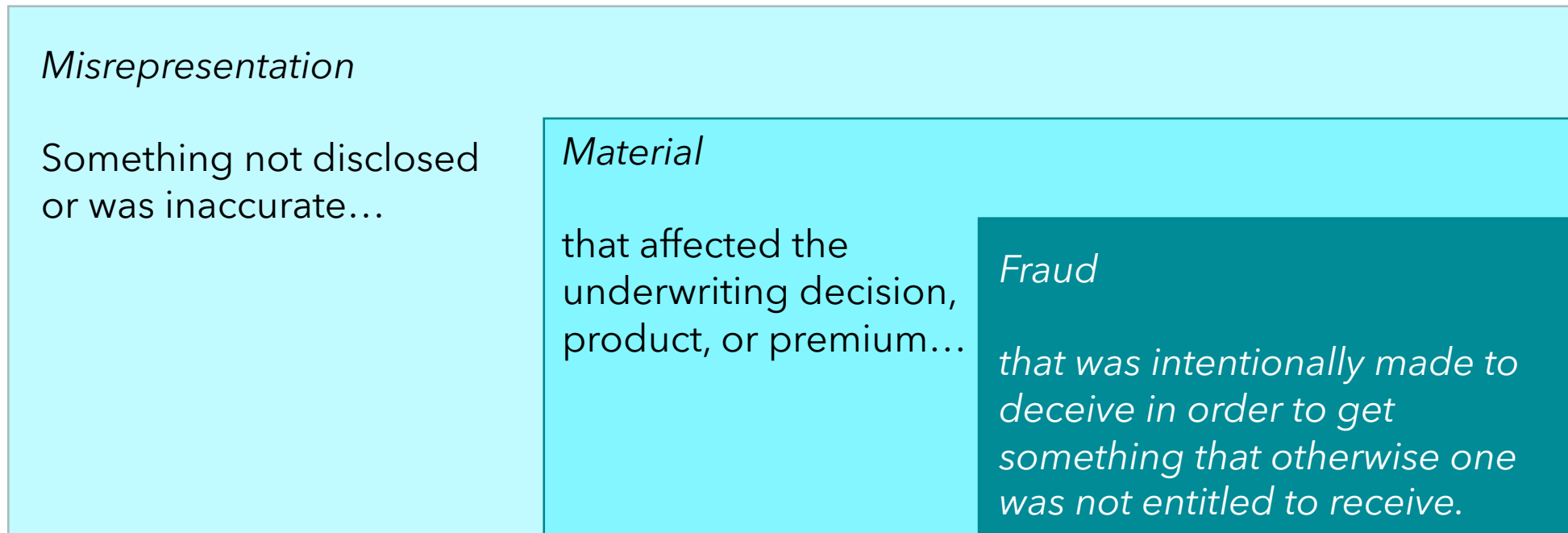
State Anti-Fraud Requirements

Initiative	Number of States
SIU Requirement	9
SIU Education	8
Annual Reporting	11
Fraud Plan	22
Fraud Warning	31
Mandatory Reporting	46

For L&H, our focus is on fraud investigation tools regardless of organizational structure

State Anti-Fraud Requirements							
Compiled from the Coalition Against Insurance Fraud							
October 18, 2021							
	Annual reporting	Fraud Plan	Fraud Warning	Mandatory Reporting	Pre-Insurance Inspection	SIU Requirement	SIU Education
State							
AK - Alaska			Yes	Yes			
AL - Alabama			Yes	Yes			
AR - Arkansas		Yes	Yes	Yes		Yes	Yes
AZ - Arizona			Yes	Yes			
CA - California		Yes	Yes	Yes	Yes	Yes	Yes
CO - Colorado	Yes	Yes	Yes	Yes			Yes
CT - Connecticut	Yes			Yes			
DE - Delaware			Yes	Yes			
FL - Florida	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GA - Georgia				Yes			
HI - HAWAII			Yes	Yes			
IA - Iowa				Yes			
ID - Idaho			Yes	Yes			
IL - Illinois				Yes			
IN - Indiana			Yes	Yes			
KS - Kansas		Yes		Yes			
KY - Kentucky		Yes	Yes	Yes		Yes	Yes
LA - Louisiana	Yes	Yes	Yes	Yes			
MA - Massachusetts				Yes	Yes		
MD - Maryland	Yes	Yes	Yes	Yes			Yes
ME - Maine	Yes	Yes	Yes			Yes	
MI - Michigan				Yes			
MN - Minnesota		Yes	Yes	Yes			
MO - Missouri				Yes			
MS - Mississippi							
MT - Montana				Yes			
NC - North Carolina				Yes			
ND - North Dakota				Yes			
NE - Nebraska				Yes			
NH - New Hampshire		Yes	Yes	Yes		Yes	
NJ - New Jersey	Yes	Yes	Yes	Yes	Yes	Yes	Yes
NM - New Mexico		Yes	Yes	Yes			
NV - NEVADA				YES			
NY - New York	Yes	Yes	Yes	Yes	Yes	Yes	Yes
OH - Ohio		Yes	Yes	Yes			
OK - Oklahoma			Yes	Yes			
OR - Oregon			Yes	Yes			
PA - Pennsylvania	Yes	Yes	Yes	Yes			
RI - Rhode Island		Yes	Yes	Yes	Yes		
SC - South Carolina				Yes			
SD - South Dakota				Yes			
TN - Tennessee	Yes	Yes	Yes	Yes		Yes	
TX - Texas		Yes	Yes	Yes			
UT - Utah			Yes	Yes			
VA - Virginia			Yes	Yes			
VT - Vermont		Yes					
WA - Washington	Yes	Yes	Yes	Yes			
WI - Wisconsin				Yes			
WV - West Virginia				Yes			
WY - Wyoming							

Misrepresentation v. Fraud



Material Misrepresentation generally grounds for rescission within the contestable period

Fraud may be grounds for voiding a policy *ab initio* at any time.

Fraud and Misrepresentation

If one doesn't ask in the application, bad facts are
neither fraud
nor
misrepresentation

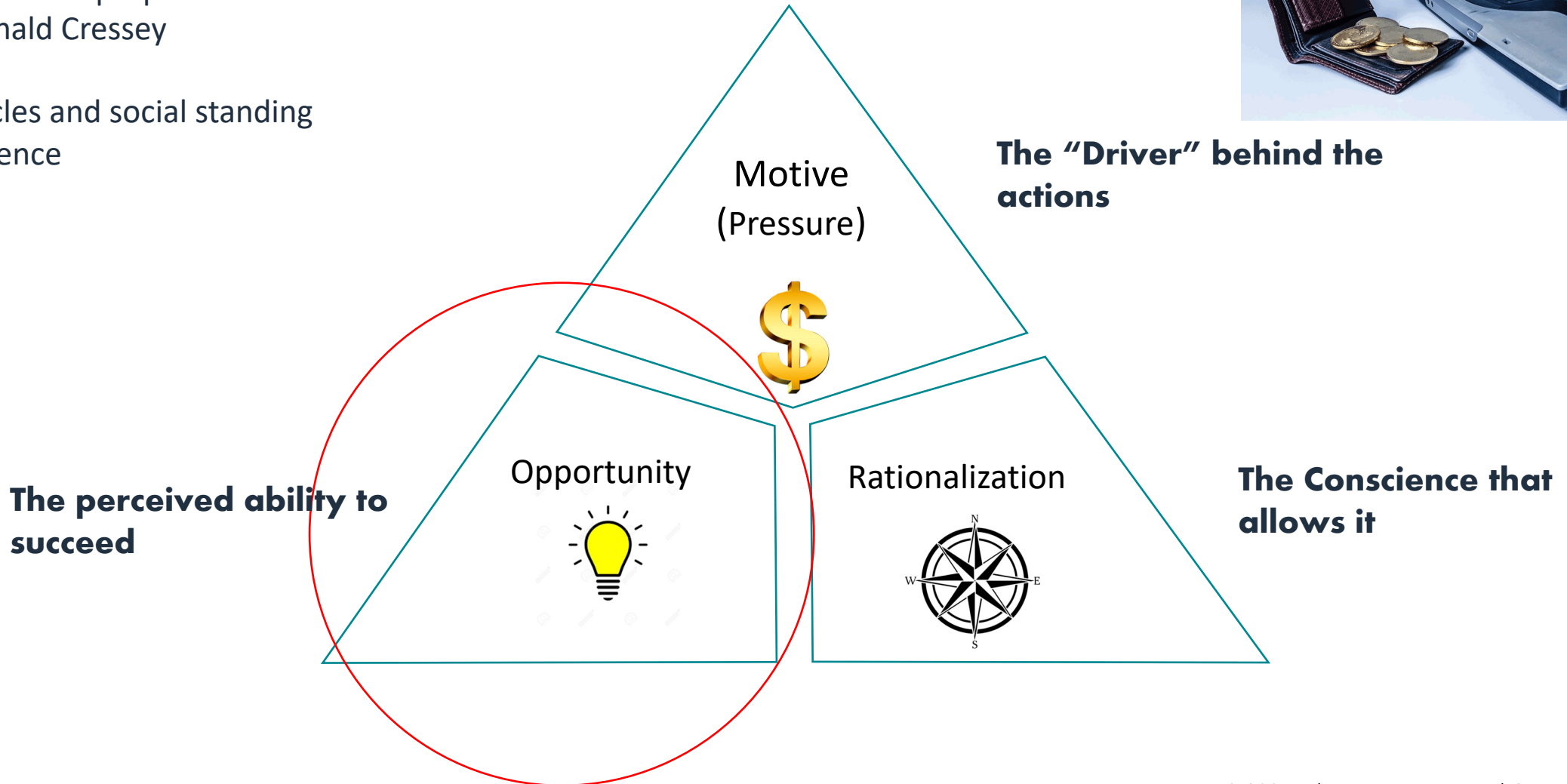


Application questions, and their wording, are critical for standing up
under legal challenges

Triangle of Fraud

Major elements proposed in 1953
by Dr. Donald Cressey

Social circles and social standing
may influence

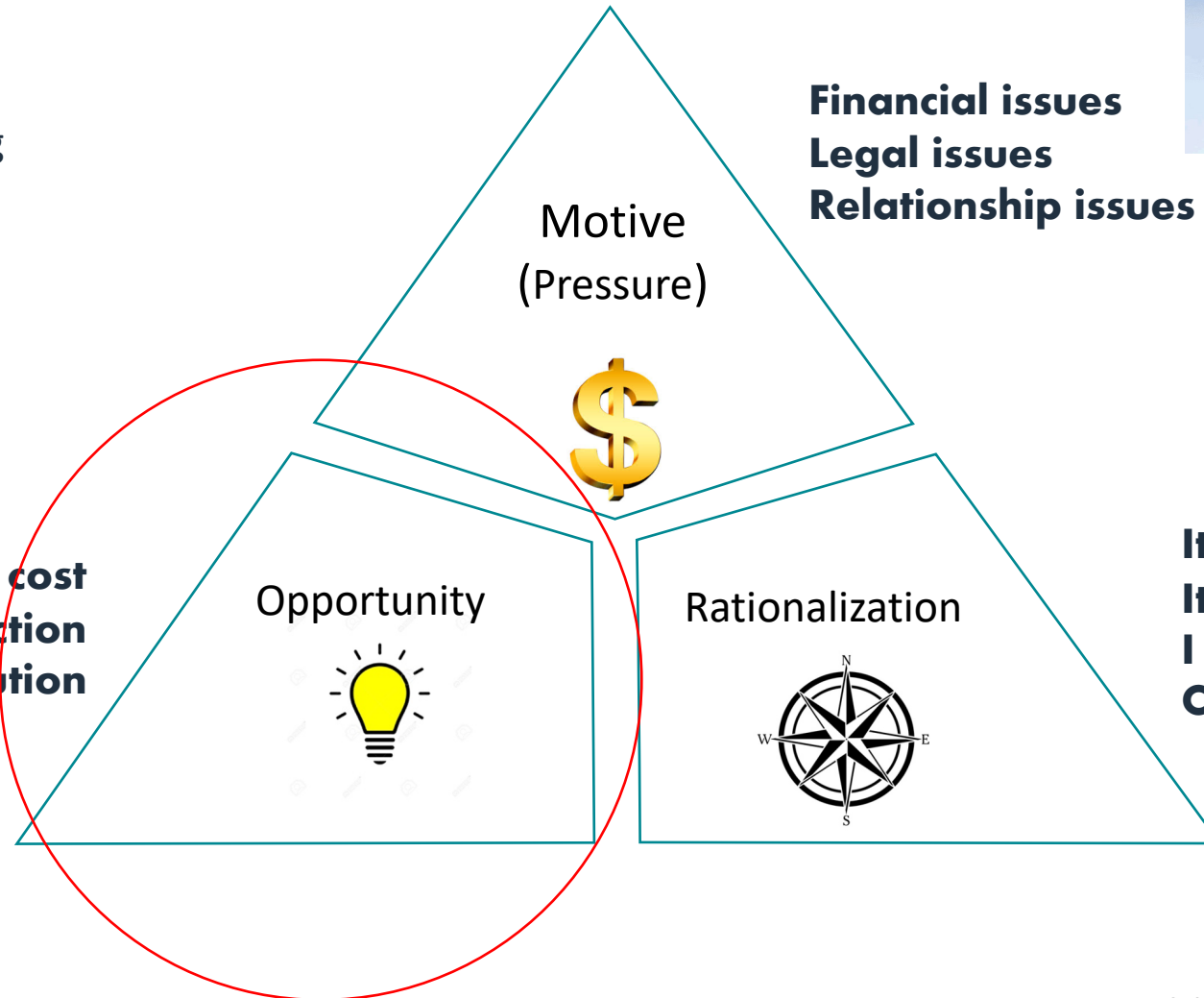


Triangle of Fraud

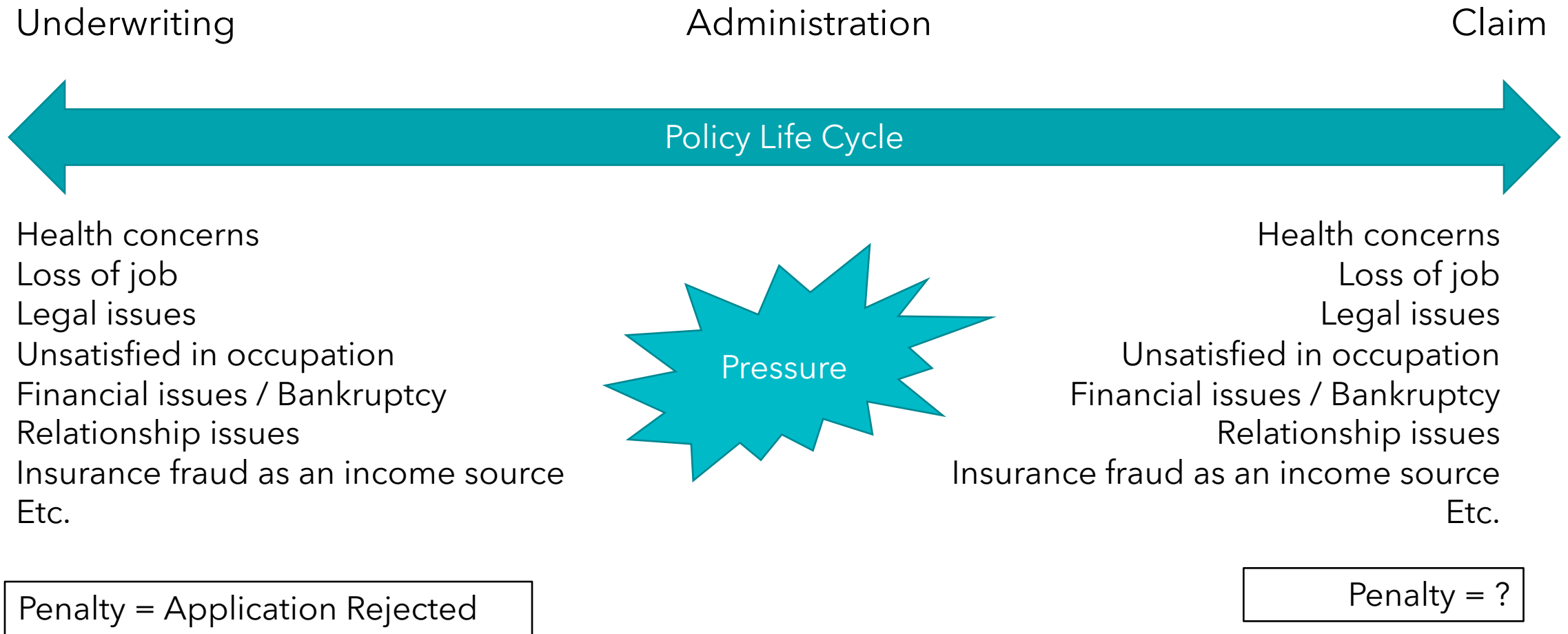
Major elements proposed in 1953
by Dr. Donald Cressey

Social circles and social standing
may influence

High reward / low cost
Low risk of detection
Low risk of prosecution



Timeline of Fraud

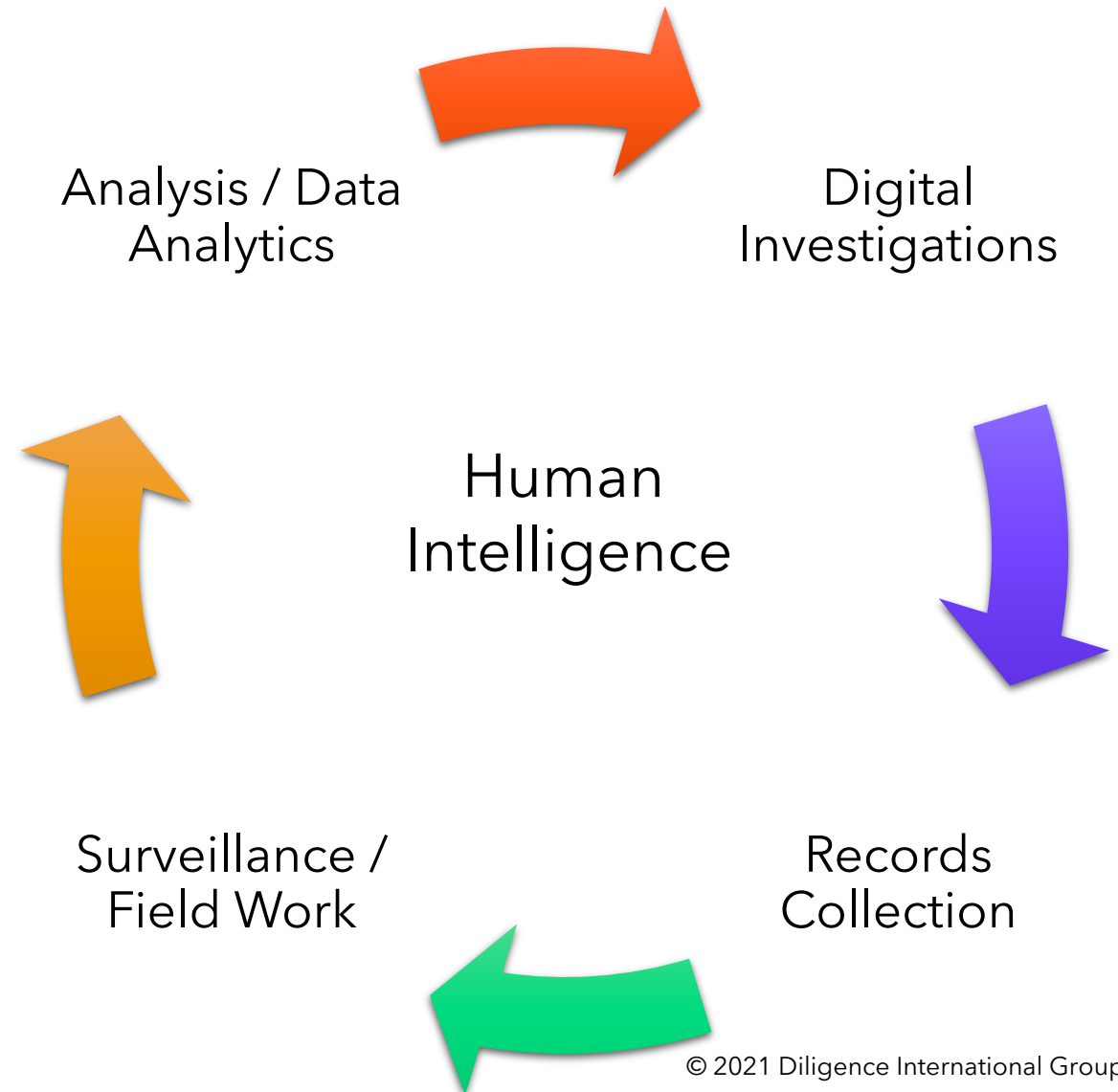


L&H insurance fraud is Low Risk / High Reward

Investigation Tools

All investigations begin with the information already collected...

- Underwriting data including
 - Application questions / answers
 - IP information
 - Agent information
 - Signatures
- Administration file
- Claim submissions
- Informant
- News accounts



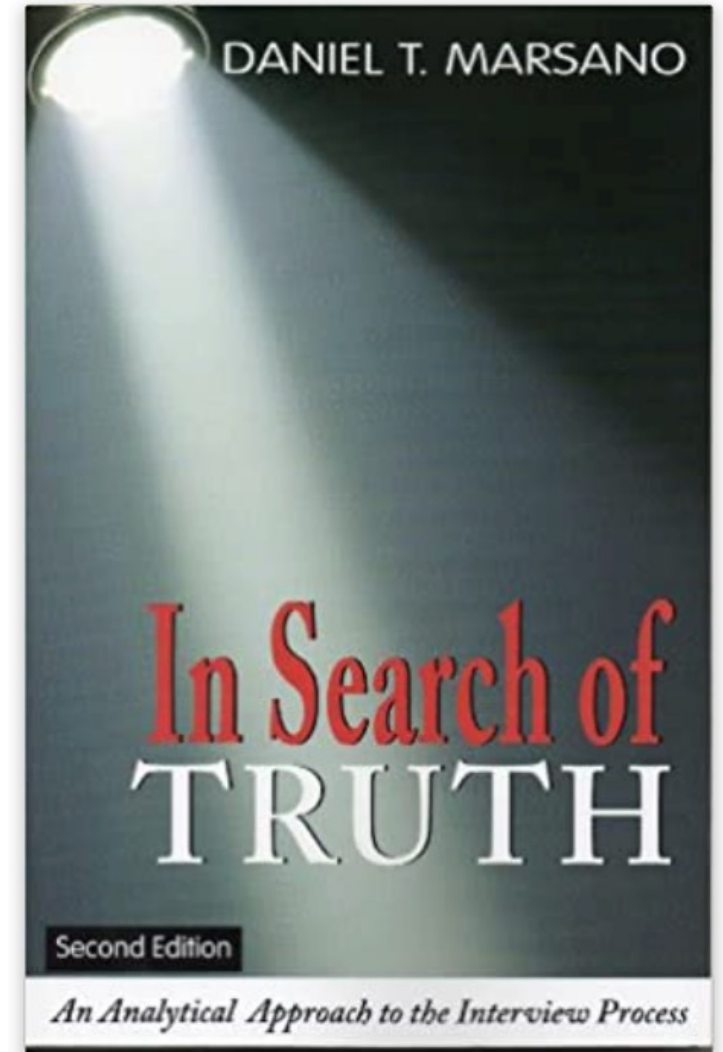
Investigation Tools

- **Human Intelligence**
- Digital Research
- Medical Records
- Surveillance / Field Work
- Law enforcement
- Analytics
- Other insurers / industry

Coordination – insuring the right data is collected

Analysis – putting the pieces together

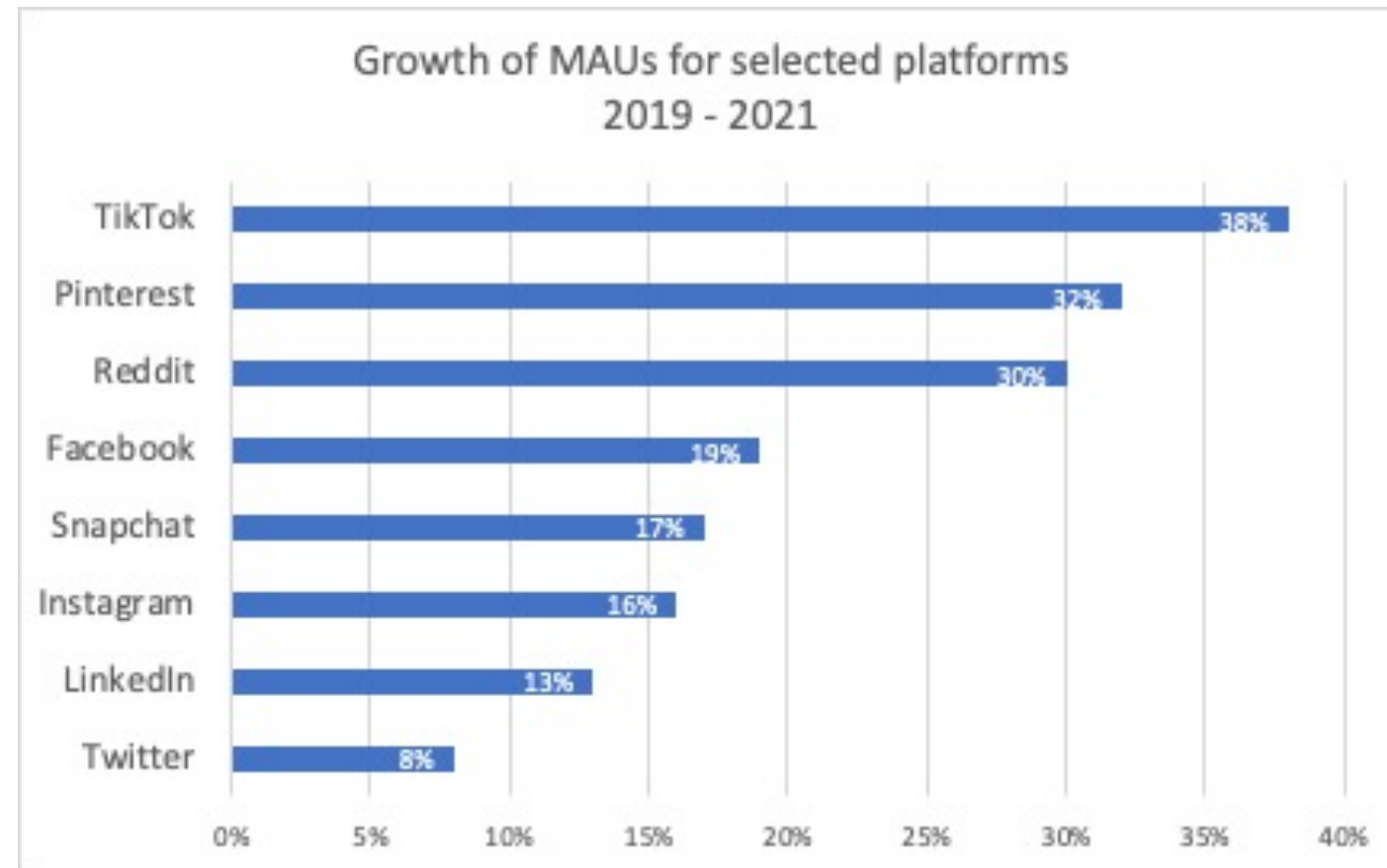
Interviews – making sure witness statements align with claim thesis



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Social Media



Source: <https://www.statista.com/statistics/1219318/social-media-platforms-growth-of-mau-worldwide/>

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Open-Source Intelligence (OSINT)...

“is publicly available information appearing in print or electronic form including radio, television, newspapers, journals, the internet, commercial databases and videos, graphics and drawings.”¹

Some services may require a fee; others free

¹ Source: <https://securityintelligence.com/articles/10-open-source-intelligence-tools-existing-security-software/>

Investigation Tools

Search Engines	People	Social Media	Images	Online Communities	Classified Listings	Business Checks	Misc
Ask	Ancestry	Ashley Madison	Bing Image Search	Angelfire	Amazon	Angie's List	Airbnb
Bing	AnyWho	Blogspot	Flickr	Boardreader	American Listed	Better Business Bureau	Athlinks
Dogpile	Black Book Online (public)	Chatty Heads	Instagram	Deviantart	Clickooz	BizNar	CourtReference
DuckDuckGo	BeenVerified	Classmates	Photobucket	Domain Tools	Craigslist	Bloomberg Businessweek	dnsLytics
Google	Canada 411	Facebook	SmugMug	Google Groups	eBay	CLEAR	DomainTools
Gigablast	InfoBel	Flickr	TinEye	IMDB	Hotfrog	Corporate Information	EarthCam
Mozbot	Intelius	hi5	Webshots	Nexopia	Kijiji	Dun & Bradstreet	Fold3 (military records)
Oscobo (UK-based)	MelissaData	Instagram	Yandex Image Search	Omgili	Manta	Foursquare	Terrorism Databases
Qwant	PeekYou	LinkedIn	YouTube	Quora	PicClick	Guidestar	National Sex Offender Registry
Sputtr	Phonebook of the World	Match	What is TinEye?	Reddit	SaleSpider	Industry Canada	PageGlimpse
StartPage	Pipl	Meetup		Tumblr	Used	InsiderPages	Public Records
Yahoo	Public Records	MyLife		Typepad	VendAnything	Leadership Connect	Snopes
Yandex	Snitch.name	MySpace		Who.is		Open Corporates	State Sex Offender Registry
	Spokeo	OurTime		WordPress		Orbis Directory	U.S. Federal Inmate Lookup
	ThisNumber	Pinterest		Xanga		PIBuzz	Wayback Machine
	UserSearch	ReverbNation		Yahoo Groups		SEC Company Search	Webboar
	Webmii	Sportstats				Yelp	Whoisology
	ZabaSearch	Tagged					
	ZoomInfo	Trendsmap					
		Twitter					
		WordPress					
		YouNow					
		YouTube					

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Data Warehouses

Examples:

- Rx Checks: Prescription Benefits Managers
- TransUnion
- LexisNexis
- Accurint
- Equifax
- Pacer
- US Tax Court

Investigation Tools

- Human Intelligence
 - Digital Research
 - **Medical records**
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 - Law enforcement
 - Analytics
 - Other insurers / industry
- Great source to determine whether health was misrepresented
 - Generally required from multiple sources in U.S.
 - They take time to acquire
 - EHRs make turn-around time faster, searches quicker

Investigation Tools

Includes

- Human Intelligence
 - Digital Research
 - Medical Records
 - **Surveillance / Field Work**
 - Law enforcement
 - Analytics
 - Other insurers / industry
- Interviews with insureds, beneficiaries, agents, neighbors, coroner's, etc.
 - Independent Medical Exams / Functional Capacity Exams
 - Forensic audits – good tool for certain occupations to determine pre and post disability sources of income
 - Covert surveillance

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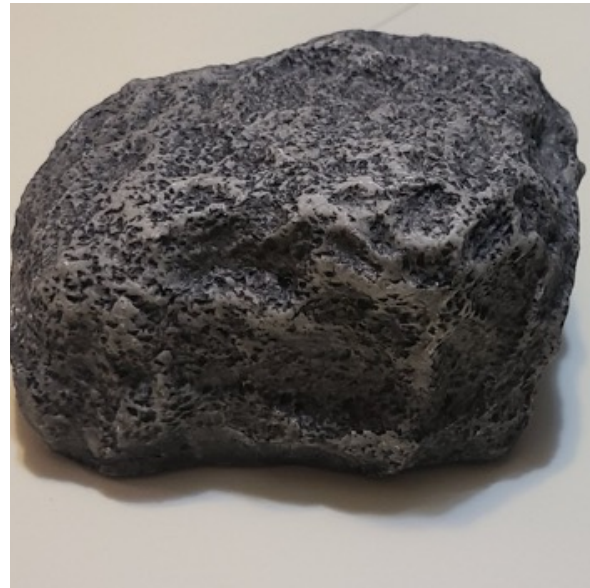
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Includes:

- State Fraud Divisions
- U.S. Attorney
- FBI
- Postal Inspector
- State and local police
- Local district attorneys

Resources are limited, so generally, case must be developed, evidence packaged, and the case large enough for law enforcement to take on.

Investigation Tools

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Includes:

- Link Analysis – shows relationships among people and useful in finding associations with known fraudsters
- Predictive Analytics – just that, predictive. Limitation is that recent life changes / behavior shifts may not be identified
- Detective Analytics – best in a systemic, high-volume environment such as medical, P&C, LTC

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Includes:

- Voice analysis – if voices are recorded, the recordings can be compared to identify potential fraudsters
- Handwriting analysis – useful tool when signatures are available, and questions arise concerning insured's participation in the application

Investigation Tools

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- **Other insurers / industry**

If authorization allows:

- Other insurers
- Reinsurers
- ICA Law Enforcement Inquiries
- Coalition Against Insurance Fraud

Key Takeaways

- Fraud is real, and true cost is unknown
- Don't assume others share our moral compass or circumstances
- Fraudsters will find gaps to exploit, and individual company experience may vary from the "norm"
- Fraud techniques are evolving, and so are the tools to detect fraud
- Fraud should be fought
- L&H fraud tends to be relatively high-reward, low-cost investments where attempts are cheap and successes rewarding



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