WSFG – Anti-Fraud Training
Fraud within the Industry

• Fraud can be emotionally and financially devastating for all parties involved:
  – According to the FBI, insurance fraud (non-health insurance) costs the economy over $40 billion each year.¹
  – U.S. insurers (across all lines of insurance) are estimated to lose $80 billion annually to fraud.¹
  – Insurance fraud (non-health insurance) costs the average U.S. family between $400 and $700 per year in the form of increased premiums.²

¹ https://www.fbi.gov/stats-services/publications/insurance-fraud
² https://www.insurancefraud.org/statistics.htm
What is Insurance Fraud?

• Insurance fraud occurs when people deceive an insurance company to receive compensation or other benefits to which they are not entitled.

• Like other forms of fraud, insurance fraud requires the perpetrator to knowingly make a false or misleading statement.
When Does Insurance Fraud Occur?

• Insurance fraud can occur any time during a policy or contract’s lifetime, including, but not limited to:
  – During the sales/application process;
  – During the underwriting process; and
  – In connection with a claim or application for other benefits.
Who Can Commit Insurance Fraud?

- Insurance fraud can be committed by any individual involved in a transaction including, but not limited to:
  - Policy or contract owners;
  - Beneficiaries;
  - Insurance agents; and
  - Insurance company employees.
Preventing and Detecting Insurance Fraud

• Employees are the front lines of fraud prevention and detection.

• Every Western & Southern Financial Group employee has a responsibility to prevent and detect fraudulent activities by identifying and reporting suspicious activities.

• To be able to identify suspicious activities, it is important to know the potential red flags of insurance fraud.
Red Flags – Underwriting Process

- Red flags during the underwriting process which may indicate potential fraud include, but are not limited to:
  - Applicant/caller not knowing information like a DOB, address, etc.;
  - Information on the application is vague or ambiguous as to details of health history, dates, places of treatment, names of physicians or hospitals, etc.;
  - Application for insurance is for an amount of insurance just under the threshold for a full evaluation of health (e.g., blood or paramed);
  - Names and important information are spelled wrong;
Red Flags – Underwriting Process

– Applicant fails to sign and date the application;
– Pertinent questions are not answered on the application (e.g., income, other insurance, hazardous duties or activities, etc.);
– Applicant has a history of many insurance claims and losses;
– Information on the application is inconsistent with prior applications;
– Documents are altered;
– Signatures are inconsistent;
– Information is inconsistent with publicly available information; and
– Physician’s report is vague on details of past medical history or inconsistent with the information shown on the application.
Red Flags – Claims Process

• Red flags during the claims process which may indicate potential fraud include, but are not limited to:
  – Claimant is missing necessary identifying information (e.g., DOB, address, account information, etc.);
  – Names or important information on a claim are misspelled;
  – The information on a claim is inconsistent with the information on file or on the application;
  – Documents are altered;
  – Signatures are inconsistent on forms;
  – Claimant attempts to demand unreasonable processing timetable;
  – Long delay between the date of death and submission of a claim;
Red Flags – Claims Process

– Forms of proof of death are suspicious or incomplete;
– Death occurred in a foreign country or the beneficiary lives in a foreign country;
– Disappearance of the insured where no body has been recovered and/or no evidence of death exists;
– Over-submission of documentation, including submission of information not requested;
– Beneficiary information, including contact information, is vague or incomplete; and
– Last change of beneficiary was completed by an Attorney-in-Fact who named themselves as beneficiary.
Red Flags – Surrender, Loan or Withdrawal Process

• Red flags during the surrender, loan or withdrawal process which may indicate potential fraud include, but are not limited to:
  – Agent requesting surrender checks be sent to him / her for delivery;
  – Purported requests by owner to send surrender check to address other than listed on policy or contract;
  – Signatures that do not match those in file;
  – Altered documents;
  – Attorney-in-Fact makes request, and file shows owner is handling all transactions prior to surrender;
  – Owner volunteers reason for surrender that doesn’t seem reasonable;
  – Request from owner or agent to not divulge surrender to anyone; and
  – Caller ID is blocked.
Red Flags – Surrender, Loan or Withdrawal Process

• Red flags for third party account takeovers are often identified during the surrender, loan, or withdrawal process.

• Third party account takeovers are a form of fraud facilitated by an unknown third party gaining access to unique details of a customer’s account.

• The fraudster will pose as the real customer and gain access to make changes to the real customer’s account, withdraw funds, surrender the policy, request a loan, or obtain other identifying information of the customer.
Red Flags – Third Party Account Takeovers

• These red flags include, but are not limited to:
  – A caller has trouble answering customer verification questions like date of birth, ssn, etc.;
  – A caller answers customer authentication questions incorrectly, but with a confident tone;
  – The caller’s voice doesn’t fit the customer;
  – Documentation appears altered; and
  – Signatures on information received from the policy/contract owner do not match the policy/contract owner’s signatures on applications or other documents.
Red Flags – Agent/Employee Fraud

• An insurance agent or insurance company employee may also be involved in fraud.

• Red flags involving an agent or employee which may indicate potential fraud include, but are not limited to:
  – Premiums submitted on an agent’s personal or agency check;
  – Agent listed as owner, contingent owner, annuitant, beneficiary, assignee, guardian, or attorney-in-fact;
  – Requests for surrender checks to be mailed directly to an agent for delivery;
  – Employee or agent demands that others in the company not contact a customer;
  – Employee or agent requests for multiple or repeated exceptions to a standard process.
Preventing and Detecting Insurance Fraud

• To help prevent and detect fraud, it is important to fully verify the identity of individuals (including customers and agents) prior to communicating with them.

• Nonpublic information including customer, agent, and policy/contract information should only be provided to individuals who are authorized to receive it.

• Do not provide any nonpublic information to an individual who is not able to provide the necessary information to verify their identity.

• If an individual is unable to provide the necessary information to verify their identity and other red flags indicating potential fraud arise through the verification process, notify your manager for possible additional investigation.
Preventing and Detecting Insurance Fraud

• A red flag does not necessarily mean that fraud has occurred, but it is an indicator of suspicious activity which may require additional investigation.

• If you identify red flags indicating potential fraud, escalate the suspicious activity to your manager.

• Remember, if something appears suspicious, or doesn’t seem right, ask questions and escalate the suspicious activity to your manager.
Managers are required to report all cases of suspected fraud to the Enterprise Special Investigative Unit (SIU).

The SIU is responsible for reviewing, investigating, reporting, and taking appropriate actions to resolve suspected fraudulent insurance acts.

It is important that all suspected fraud be reported to the SIU to ensure a proper investigation is conducted and all required reporting obligations are met.
SIU

• Suspected fraud should be reported to the SIU at:
  – Address: 400 Broadway, Cincinnati, OH 45202 (Mail Station 54)
  – Email: fraudreferrals@wslife.com
  – Phone: 1-800-333-5152 ext. 8399 or 1-800-333-5152 ext. 8363