



**David Morse & Associates**  
Insurance Claims Services Since 1979

## “RED FLAG” FRAUD INDICATORS AUTO CLAIMS

The following is a list of indicators that point to the potential for fraud in a claim. This is a summary of the most common “red flags” for quick and easy reference, but should not be considered a complete list. Note: just because some of these indicators appear in a claim does not mean that any aspect of the case is fraudulent. These indicators are merely a tool to help isolate which cases might warrant further review. The greater the number or magnitude of the “red flag” indicators in a file, the greater the likelihood that fraud may be present in that claim.

### **General Indicators:**

- ▶ Claimant seems unusually knowledgeable about claims procedures.
- ▶ Claimant seems overly pushy for a quick settlement.
- ▶ Claimant has an unusually high number of past claims.
- ▶ There is immediate attorney representation on the claim.
- ▶ Claim is submitted shortly after the inception date of the policy.
- ▶ Persons claiming to be “friends” or “relatives” of the insured or claimants become involved in the claims process.
- ▶ An attorney firm or medical clinic with a known history of suspicious claims is involved with the claim.
- ▶ One or more claimants use a motel or Post Office box as a mailing address.
- ▶ Address of the attorney, medical facility, auto body repair shop, etc., is a long way from where the claimant works and lives.

### **Physical Damage Automobile Claims:**

- ▶ Minor collision results in excessive repair costs.
- ▶ Impact is relatively minor, but repair shop wants to charge for straightening frame.
- ▶ Vehicle is a total burn (total loss caused by fire).
- ▶ Vehicle is stolen shortly after inception of policy.
- ▶ Vehicle is from out of state, even if it is now currently registered in the state of insured’s residence.
- ▶ Vehicle was bought at auction.
- ▶ No evidence vehicle was towed from accident scene, when damage suggests it was not



drivable.

- ▶ Vehicle was recently acquired by insured.
- ▶ Vehicle was previously salvaged.
- ▶ More than one vehicle in the accident goes to the same repair shop.
- ▶ The appraiser has a hard time arranging an inspection of the vehicle, or it is already repaired and thus cannot be inspected.
- ▶ “Cash” repair invoices are offered as proof of payment for car repairs rather than canceled checks or credit card vouchers.
- ▶ Insured vehicle seems to carry too much coverage for its value.
- ▶ Value of insured vehicle seems to exceed the financial means of the policyholder.
- ▶ Insured is in financial distress and/or behind on payments of insured vehicle.
- ▶ Insured vehicle has history of mechanical trouble.
- ▶ Insured vehicle appears to have prior damage.
- ▶ Appearance of damage does not match the alleged facts of the accident.

### **Medical Treatment Indicators:**

- ▶ Medical bills are for emergency treatment only, with no follow-up course of treatment.
- ▶ A large percentage of medical bill is for diagnosis only (x-rays, tests, examinations, etc.).
- ▶ Extensive medical treatment for a low-impact automobile accident.
- ▶ Medical bills for soft tissue injuries where incorrect CPT codes are used. For example, using the codes 99204 or 99205 for an initial examination (These codes are meant to be used for injuries far more serious than soft tissue injuries.)
- ▶ Injuries are all of a subjective nature, such as soft tissue injuries.
- ▶ Medical reports appear to be of the “boiler-plate” or “cookie-cutter” type, where the bulk of the report appears to be a pre-written format.
- ▶ Medical documentation appears to have been photocopied more than once (copies of copies).
- ▶ All claimants treat at the same facility.
- ▶ The frequency and type of treatment does not change much through the course of treatment.
- ▶ Only passive modalities of treatment are administered throughout the course of treatment.
- ▶ Multiple claimants are all seen by the same medical facility. The amount of treatment of each claimant is relatively uniform.
- ▶ The medical facility is relatively far from where the claimant lives or works.
- ▶ There is no loss of earnings claim from the claimant, despite a high number of medical visits. This is especially true if the claimant has a physically demanding job.
- ▶ There is a considerable delay between the alleged date of injury and the date that treatment begins.
- ▶ Chiropractic and/or physical therapy treatment for soft tissue injuries is continued for a period longer than approximately 4 to 6 weeks.

### **Automobile Bodily Injury Claims:**

- ▶ Accident is a rear-end accident caused by a sudden (unexplained) stop.
- ▶ Accident is caused by a “swoop and squat” (Drivers of two cars conspire to create an accident



where the unknowing, third driver is seen to be at fault. One car gets in front of the victim and drives slowly, inviting the victim to tailgate. The second conspirator appears to cut off the first conspirator, "forcing" him to slam on his brakes. The victim then rear-ends the conspirator car in front of him.)

- ▶ Accident is caused by a "drive down" (A driver who has the right of way allows another driver to pass, such as a driver on a crowded street waving to someone exiting a driveway to allow them to enter the street. Then the person drives into the person entering the roadway and denies having yielded the right of way.)
- ▶ Accident occurs at odd hours, like late at night when there are few places to drive to at that hour, or in the middle of a weekday, when most people are at work.
- ▶ Accident location is not near claimant's home, work or other usual locations of travel.
- ▶ Claimant vehicle has several occupants.
- ▶ Physical damage to vehicles does not match the versions of the drivers.
- ▶ Damage to each vehicle appears inconsistent with damage to the other vehicle (height of damage, severity of damage, shape of damage, color of paint transfers, etc.)
- ▶ Accident is an unwitnessed hit-and-run (UMBI claim).
- ▶ A rental vehicle is involved in the automobile accident.