



David Morse & Associates
Insurance Claims Services Since 1979

“RED FLAG” FRAUD INDICATORS PROPERTY CLAIMS

The following is a list of indicators that point to the potential for fraud 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:

- ▶ Person presenting the claim seems unusually knowledgeable about claims procedures.
- ▶ Person presenting the claim seems overly pushy for a quick settlement.
- ▶ Person presenting the claim has an unusually high number of past claims.
- ▶ There is immediate attorney representation on the claim, or a public adjuster.
- ▶ Claim is submitted shortly after the inception date of the policy.
- ▶ Insured is in financial distress.
- ▶ Amount of contents being claimed does not seem consistent with size of the area affected by the loss (too much for what would be expected for the size of the area).
- ▶ Value of contents being claimed seems inconsistent with financial means of the policyholder.
- ▶ Policyholder appears to be significantly over-insured.
- ▶ Insured recently increased coverage prior to loss.
- ▶ Insured’s documentation for contents seems questionable; either inadequate documentation than would be expected for recent purchases / inventory, or overly extensive documentation for older, long-held possessions.
- ▶ Commercial loss would be financially advantageous to insured. For instance, damaged property was old inventory not easily sold, or damage was to structure which was in need of major maintenance or remodeling.

Fire Loss:

- ▶ Cause of the fire is suspicious, for example:
- ▶ Multiple points of origin.

- ▶ The fire exhibits rapid spread, intense heat, signs of extensive destruction.
- ▶ The fire occurs at a time of day when it is likely to go undetected for a longer period of time.
- ▶ The sprinkler system is turned off, fire doors propped open, fire or burglar alarms deactivated.
- ▶ Unusual presence of flammable liquids or containers from such liquids in or around structures.
- ▶ Premises normally locked and secure; however, on the day of the loss, they were unlocked.
- ▶ Fire starts in a closet or an area where there is no expected source of ignition.
- ▶ Signs of artificial draft or combustion aids, i.e. windows open before the fire, holes in the walls or ceilings.
- ▶ Timing devices connected to energy devices, i.e. hotplates, skillets, irons, etc.
- ▶ Fire loss claim does not include expected items such as personal papers, items of sentimental value, valuables not easily replaced, and the like.
- ▶ Smoke detectors, sprinkler system, or alarms fail to work or may have been disabled.
- ▶ Items are claimed, such as coins, jewelry and guns, which are not combustible, but no remains of them are found at the fire scene.
- ▶ Photographs of the fire scene show missing items that would normally be present at such a scene, i.e., clothes closets are mostly empty, no family photos around, etc.
- ▶ The property is up for sale.
- ▶ The insured is calm and shows little concern, while at the scene or after the fire when he was told that the fire was intentionally set.
- ▶ Short period of time between the time the insured departed the structure until the fire occurred.
- ▶ Insured has an alibi that appears too convenient.
- ▶ Insured is in possession of the insurance policy when it should have been destroyed in the fire.
- ▶ Arrangements made for survival of irreplaceable items such as photographs, jewelry, silver, guns, expensive toys, family heirlooms, tools.
- ▶ Insured handles all business in person, thus avoiding use of mail.
- ▶ All items destroyed were allegedly top brand merchandise.
- ▶ Insured provides receipts with incorrect or no sales tax figures.
- ▶ Insured provides two different receipts with same handwriting

Theft Loss:

- ▶ Extensive list of contents being claimed, with many items of little worth or value. (A thief would possibly not want to spend that much time and effort to steal a large volume of items with relatively little value.)
- ▶ Facts seem questionable (entire contents missing but no neighbors heard/saw anything suspicious, or "forced entry" looks contrived, etc.)
- ▶ A significant portion of claimed items were "gifts" for which no receipts or documentation can be provided.
- ▶ A significant portion of claimed items were allegedly purchased with cash.
- ▶ A significant portion of claimed items were allegedly purchased from a foreign country.
- ▶ Theft claim includes significant portion of "art objects" of allegedly high value.
- ▶ Receipts are always in whole dollar amounts.