

**MULTIPLE POLICY FRAUD...
A Thing of the Past, or Not?**

By

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There is general concurrence within the insurance industry, in law enforcement, and in the ranks of consumer advocate organizations, that progress has been made over the past decade in implementing anti-fraud laws and alerting the public to the serious and costly effects of fraud on their insurance rates, particularly in the case of vehicle insurance. In that regard, no measure has been as effective in deterring insurance fraud than pre-insurance physical damage inspection, particularly when photos or digital images are an integral part of the process.

Today, while most insurance and law enforcement professionals understand that it may not be possible to eliminate fraud entirely, there is no question but that a great deal can be done to deter it. Some of the schemes that were popular in the past, while they haven't been seen for a long time and to many are no longer of concern, have a strange way of resurfacing when and where they are least expected. And while some may have thought that the frauds of yesteryear were extinct, we may in fact be seeing enterprising "crooks" beginning to bring new life and new twists to old methods.

Enter the long dormant “Six-Pack” scam, a neat little contrivance of the past, or so it was thought. The Six-Pack fraud, as it was often called in law enforcement circles, isn’t an event that occurs in the supermarket or local package goods store, but a serious and potentially costly property fraud that can pop up almost anywhere, particularly in large urban areas. Perpetrators in this type of fraud, usually part of an organized “ring,” focus on obtaining illicit profits by defrauding a half-dozen or so insurance carriers at a time and with far less trouble than normally involved in personal injury, or PIP, frauds which require a great deal more effort.

Fast Profits Possible

Referred to in the late 1970s and early 1980s as “Six-Pack” scams, “Six-Packing” or “Multi-Packing,” were schemes in which a dishonest policy owner or member of an organized ring purchased five or six, or more, insurance policies for a single vehicle for the express purpose of submitting fraudulent claims. This type of fraud can, without diligence on behalf of the insurance industry and law enforcement, be extremely costly to insurance carriers and ultimately to policy owners who will pay the tab through higher insurance premiums. Unfortunately, the multiple policy scheme, which can in some fairly short time span produce multiple payoffs on false claims, has once again reared its head.

Some of the law enforcement agencies in the Eastern region of the U.S. have recently seen and investigated cases involving multiple insurance policies on a single vehicle. The common denominator is, of course, the dishonest policy owner’s clear intent to collect on these policies – then move on and do it again. What appeared to be a new wrinkle in some of the cases seen recently in New York was the nature of the policies? In this most recent version, it was clear that the perpetrator intended to collect on physical damage claims and perhaps at the final stage, on claims for theft. Perhaps the most disturbing aspect of this computer age fraud is that all policies were purchased under the cover of the Internet.

PIP-related [Personal Injury Protection] multiple policy frauds involving bodily injury have been a serious national problem for many years, while multiple policy frauds focused principally on property damage have not been seen for more than two decades. As compared with the more common PIP frauds, for example, the new game in town, focused on property damage claims, is far easier to orchestrate and in many cases more lucrative. This is obviously to the liking of the perpetrators.

The widespread use of the Internet has also made it easier for the criminal to function in the world of vehicle insurance fraud. Because of the way that many carriers now conduct business, using the Internet as a way to purchase insurance, clever individuals and particularly organized rings can avoid personal contact, thereby being faceless, and to a large degree address-free. Add an Internet policy purchase to a post-office box or commercial mail drop service and you have the ideal situation for those with the intent to engage in fraud.

The New Twist

The unusual new wrinkle in multiple policy fraud that is now being seen requires a heightened level of awareness on behalf of the insurance industry and its various investigative resources. Because the industry may not have seen this fraud before, at least in its current form, it should be alert to new policy acquisition patterns that must be carefully watched and acted on, particularly the proliferation of multiple policies written for the same vehicle. In many cases these irregularities can be identified through the vehicle inspection process where particularly where a powerful computer database dedicated to the inspection program can be effectively “mined” to reveal irregularities outside of the standard programmed parameters.

Multiple Policy Fraud Surfaces in New York

Recently, some interesting examples that multiple policy frauds were on the cusp of occurring were detected in Brooklyn, New York. They included vehicles with policies obtained on the Internet, which slipped past the unsuspecting insurance carriers. Alert detectives in the New York City Police Department’s Fraudulent Accident Investigation Squad [FAIS], who have encountered PIP frauds involving multiple policies, fortunately intervened before claims were either submitted or paid. The net result was that a number of insurance carriers avoided

significant expense.

If not for a set of interesting circumstances, the first important multiple-policy case seen in the New York area in at least 20 years might never have been detected. Following a “car stop” by a NYPD officer, arrest of the driver, and the subsequent impounding of the vehicle, the car was found to contain an interesting surprise – a collection of CARCO inspection forms that indicated that the vehicle had been inspected a number of times. The various forms found in the vehicle showed that more than one vehicle was involved. Based on the names shown on the reports, it appeared that a single person was responsible for the policies. Although the individual arrested was suspected of being part of an organized insurance fraud “ring” that recently started to engage in multiple policy frauds, he was not believed to be the person who purchased the policies. [CARCO Group is a major provider of vehicle inspection services in New York and other states].

The Next Step

After carefully examining the various inspection reports, the FAIS detective assigned to the case made some interesting observations: there were two vehicles involved, a late model Lincoln and a late model Cadillac; one car had three policies, the other, five. Subsequently, during a diligent pursuit of the facts, the detective assigned to the case contacted each of the insurance companies shown on the inspection forms. He learned that claims adjusters from two different carriers had examined the same vehicle, which was covered under different policies. At this point, the respective companies became aware of a potential fraud.

Putting a Powerful Computer Database to Work

Through an exchange of information between detectives in the New York City Police Department’s Fraudulent Accident Investigation Squad [FAIS] and an anti-fraud inspection programs specialist from CARCO, it appeared that the matter needed an in-depth computer evaluation, using the company’s computer database, with its exceptional “data mining” capabilities. Within minutes all of the recent inspections carried out on the vehicle in question, a 2001 Lincoln, had been identified, with details down to the exact time of each inspection. [Charts: A & B]

The pre-insurance inspection process, with photos or digital images of pertinent physical views of the vehicle and its EPA label, has given rise to a powerful computer database that can be of enormous value for both insurance and law enforcement requirements. The computer, which employs a database consisting of inspection data can extract specific information including identity data, trends and patterns of performance that are necessary in making reasonable projections and/or predictions, allowing the detection of fraudulent activities.

In the recent New York case the database search program produced important information clearly confirming that a potential problem was likely to become real if some type of effective intervention did not take place. The results of the search quickly mapped out the path that the perpetrator was pursuing. What else could be concluded from five insurance policies on one car other than a fraud of some type was likely to occur?

Some of the pertinent facts related to the vehicle inspections of the 2001 Lincoln impounded by NYPD are as follows:

- The policy owner tried to vary the spelling of his last name in three out of the five policies purchased for the vehicle.
- Five different insurance companies were shown.
- Vehicle was inspected five times in a two-day period.
- All policies were initiated on the Internet.

Computer “Alerts”

In addition to its various capabilities the vehicle inspection database system is also programmed to issue important “alerts” which are dynamic tools in pro-active campaigns to deter vehicle insurance fraud. The alerts, or “flags,” are unmistakable indicators that action needs to be taken based on the results of specific search parameters. On the lookout for multiple policy schemes, for example, an important warning flag is for vehicles that have been inspected more than once during a three-month period, which might signify that a particular policy – or group of policies – were purchased for other than legitimate reasons.

The types of alerts that the inspection database is programmed to generate fall into two major categories: Underwriting, or Premium Generation/Risk Evaluation Alerts and Vehicle Identity/Integrity Alerts. These important indicators signal that something outside of established “normal” parameters should be looked at. Included in the various computer alerts that can be automatically generated are indicators such as: additional operators, garaging location, inordinate mileage, counterfeit VINS, and altered labels.

One aspect of the pattern that quickly emerged from this investigation was the attention to details by the perpetrator to keep his identity hidden. In fact, his real identify is still not known, although the detectives on the case are confident that eventually it will be. Because the policies were purchased via the Internet, however, no insurance company representative ever saw the policy owner who was also careful never to be near the vehicle during inspection of the vehicle, thereby avoiding being in any of the photos taken of the car. And when claims were filed, the policy owner notified claims adjusters where the vehicle could be seen, then left the car at the designated locations to avoid contact with the adjusters. To further maintain anonymity, the policy owner used Post Office mail boxes or commercial mail drop-box services.

Looking Forward

By preventing multiple insurance frauds from being committed, a number of insurance companies were spared the expense of paying costly claims for the same vehicle. In this case the policy owner’s intent to commit multiple frauds was thwarted before claims could be made, or paid. This is significant!

Will NYPD see another scam of this type in the near future? Although no one can predict whether a similar activity will take place in New York, it probably will. As a preventive measure, carriers who detect or suspect such activity should coordinate their investigative efforts with the National Insurance Crime Bureau [NICB], local and state fraud bureaus, and law enforcement.

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- Philip Crepeau, Senior Anti-Fraud Programs Advisor, CARCO Group, Inc., has played a key role in developing pre-insurance vehicle inspection programs, and making the system responsive to the needs of law enforcement and the insurance industry. Mr. Crepeau retired as a Lieutenant from the New York City Police Department [NYPD] in 1986, where he was a member of the original NYPD Auto Crime Unit. He is recognized in both the law enforcement community and within the insurance industry as an expert on the subject of vehicle-related crimes and insurance fraud.
- CARCO Group, Inc., located in New York, is a pioneer in the management and control of vehicle physical damage inspection, and a technology innovator with systems that are considered to be the benchmark for vehicle inspection programs. The company has led the way in the inspection field since the late 1970s, both in management systems and in the development of sophisticated computer technology tailored to vehicle inspection and tracking requirements.

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ILLUSTRATION CAPTIONS
Multiple Policy Fraud

Figure One

Sample Insurance Inspection Report Form

This is one of the five different inspection reports that NYPD detectives found in a 2001 Lincoln automobile in Brooklyn, NY. The vehicle inspection computer database system revealed the “road map” for a multiple policy fraud in the making.

STAPLE AUTHORIZATION FORM AND PHOTO PAGE TO THIS COPY OR ENCLOSE FLOPPY DISK

CARCO GROUP INC. NEW YORK
 POST OFFICE BOX 1600, SMITHTOWN, NEW YORK 11787
INSURANCE INSPECTION REPORT
 (THIS IS NOT A SAFETY INSPECTION)

NO Auth.
NYE 538076

USE A BLACK OR BLUE BALL POINT PEN - PRESS FIRMLY

DATE OF INSPECTION: 10/22/01 TIME: 4:11 PM
 ADVERSE CONDITIONS: DARKNESS INCLEMENT WEATHER
 INSURANCE CO. NAME: AMICA MUTUAL POLICY/APPLICATION NO.: 921031-1000 NO PHOTOS: 3
 INSURED'S NAME: ARTHUR SHWITZEROV INSURED'S ADDRESS: 134 E. 27th ST., NY, NY 10016 TOWN: 2P
 BROK/AGENT NAME (Print - If Applicable): B. Kelly INSPECTOR (Print): Kelly's Auto Report INSPECTION SITE NAME: 732 5th Ave SITE LOCATION (Address): NY 2KJA SITE I.D. NO.:

THREE (3) COLOR PHOTOGRAPHS MANDATORY
 Take the photographs at the angles shown:
 1. FRONT AND DRIVER SIDE 2. REAR AND PASSENGER SIDE 3. EPA Sticker (on Door Jamb) Showing VIN NUMBER
 "EPA Photo ALWAYS Required - Even if EPA Sticker Missing, etc."
CHECK BOX IF: EPA Sticker Not Clear - Photo Taken EPA Sticker Missing - Photo Taken

DESCRIPTION OF VEHICLE
 YEAR: 2001 MAKE: VW MODEL: Town Car MAJOR EQUIPMENT: 5 DR. ST. WDN. MINIVAN INTERIOR: LEATHER VINYL FABRIC FRONT SEAT COLOR(S):
 4 DR. HTCHK. TRUCK MOTORCYCLE
 2 DR. CONV. VAN OTHER: SUV

VEHICLE IDENTIFICATION NO. (Obtain Directly from Vehicle)
 1 L N # M 8 I W 7 I Y 7 2 9 7 4 8
 LOCATION ON VEHICLE WHERE VIN OBTAINED: 9 7 9 7
 DASHBOARD OTHER (Describe):

PLATE NO.: XAM-840 STATE: NY PRINCIPAL PLACE VEHICLE IS GARAGED (City & State): 134 E. 27th St., NY, NY
 OFFICE USE ONLY: YES NO INSURANCE AUTHORIZATION FORM SUPPLIED BY INSURED

ACCESSORIES AND OPTIONAL EQUIPMENT
 RADIO: AM/FM CASSETTE CD PLAYER
 FACTORY INSTALLED OR BRAND: AUTOMATIC SEAT BELTS DAYTIME RUNNING LIGHTS INTERIOR PANELING
 CD CHANGER CRUISE CONTROL REAR WINDOW WIPER REAR PASSENGER SEATING
 AIR CONDITIONER DIGITAL INSTRUMENTATION FRONT AIR BAGS - 1 2 EXTERIOR DECORATIVE PAINT
 MANUAL TRANSMISSION 5 SPEED 6 SPEED SIDE AIR BAGS - 1 0 OTHER THAN FACTORY INSTALLED AC
 AUTOMATIC TRANSMISSION OVERDRIVE CUSTOMIZED WINDOW OR BUBBLES
 GPS / NAVIGATION SYSTEM CB RADIO Brand: Permanently Installed YES NO
 POWER WINDOWS POWER LOCKS-DOORS WHEEL POWER STEERING
 SUNROOF MOTORIZED POWER ANTENNA
 VINYL/CANVAS TOP SPECIAL ROOF - Type: POWER TRUNK BUCKET SEATS 80/40
 CUSTOM MAG WHEELS HEATED SEATS POWER SEATS LUMBAR
 SPECIAL TIRES - Type: SPECIAL HUB CAPS - Quantity on Vehicle: SPOILER TELEVISION / VCR
 OTHER: PERMANENT / INSTALLED YES NO OTHER

PHYSICAL CONDITION OF VEHICLE DESCRIBE DAMAGE, RUST, MISSING PARTS & MAJOR ALTERATIONS
 00 CHECK HERE IF NO EXISTING DAMAGE, RUST OR MISSING PARTS
 DAMAGED: 01 FRONT BUMPER 02 REAR BUMPER 03 FENDER LEFT FRONT 04 FENDER RIGHT FRONT 05 DOOR LEFT FRONT 06 DOOR RIGHT FRONT 07 DOOR LEFT REAR 08 DOOR RIGHT REAR 09 QUARTER PANEL LEFT REAR 10 QUARTER PANEL RIGHT REAR 11 HOOD PANEL 12 ROOF PANEL 13 TRUNK LID/REAR DOOR 14 GRILL 15 WHEEL COVERS 16 WINDSHIELD 17 SIDE GLASS LEFT FRONT 18 SIDE GLASS RIGHT FRONT 19 SIDE GLASS LEFT REAR 20 SIDE GLASS RIGHT REAR 21 REAR WINDSHIELD 22 WORN, TORN, INTERIOR/SEATS 23 DASHBOARD/SOUND SYSTEM 24 CENTER CONSOLE 25 OTHER DAMAGE

INSPECTION ACKNOWLEDGEMENT
 I HAVE REVIEWED THIS REPORT, RECEIVED AT LEAST ONE COPY, AND ACKNOWLEDGE THAT IT IS A TRUE AND COMPLETE DESCRIPTION OF THE AUTO'S PHYSICAL CONDITION AND ACCESSORY ITEMS.
 FULL ADDRESS IF DIFFERENT FROM ABOVE: X SNG
 SIGNATURE: ARTHUR SHWITZEROV
 INSURED'S HOME PHONE: 212-230-3210 PRINT NAME: ARTHUR SHWITZEROV
 INSURED'S WORK PHONE: 212-270-2003 RELATION TO INSURED: OWNER

The above is a true statement recording any and all existing, visible damage, rust, and/or missing parts as of the date of this inspection. The undersigned certifies, under penalty of perjury, that this inspection report is true and complete to the best of his/her knowledge.
 INSPECTOR'S SIGNATURE X: DATE 10/28/01
 THIS REPORT WAS QUALITY CONTROL REVIEWED BY:

INSURANCE COMPANY COPY - SEND TO CARCO
 REC 307 Form BR 111-47

Figure Two

Search Result Summary – Chart A

The insured, whose name appears with spelling variations on three of the five inspection reports [and insurance policies], purchased policies on the Internet from five different insurance companies. The VIN numbers are the same for all policies.

DETAILS	INSURED'S NAME	INSPECTED	POLICY #	REPORT #	VIN Number
DETAILS	Shnitserov, Arthur	10/22/2001	9465836411011	NYE122390	1LNHM81W71Y748
DETAILS	Shnitsepou, Arthur	10/22/2001	1E8342610016	NYE072232	1LNHM81W71Y748
DETAILS	Shnitseruv, Arthur	10/22/2001	6258258	NYE036389	1LNHM81W71Y748
DETAILS	Shnitserov, Arthur	10/22/2001	9210311000	NYE018818	1LNHM81W71Y748
DETAILS	Shnitserov, Arthur	10/23/2001	02879158	NYE093946	1LNHM81W71Y748

Figure Three

Search Result Summary – Chart B

Within minutes the pre-insurance inspection database was able to show the exact sequence of inspections performed on the vehicle in question, the time of day, mileage, inspection site, and the insurance carrier.

TIME / DATE	MILEAGE	INSPECTION SITE	INSURANCE COMPANY
10/22/2001	9777	Shurway Auto Cr.	Travelers Insurance Co.

3:00pm		416 90th Street Brooklyn, NY	
10/22/2001 3:00pm	9792	Giuffre Hyndai 763 4th Ave. Brooklyn, NY	Geico
10/22/2001 3:45pm	9797	F&D Four Star Collision 764 4th Ave Brooklyn, NY	American International Group
10/22/2001 4:11pm	9797	Litelli's Auto Repair 732 5th Ave Brooklyn, NY	Amica Mutual Insurance Co.
10/23/2001 10:30 am	9828	Coney Island Sunoco 2489 Coney Island Ave. Brooklyn, NY	

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