

## On The Case: Early Investigation Reduces Fraudulent Claims

At first glance, it looked like a perfectly legitimate claim. A man in real estate investments reported his 51 foot yacht missing. The city's Harbor Police confirmed it was gone, and the man described in convincing detail his own "desperate" search to locate the \$225,000 vessel.

The initial investigation to establish the facts showed that pieces of this case didn't fit. Were the Harbor Police familiar with the boat? Yes, they had in fact cited it for lack of an anchor light on Friday and couldn't find the boat in a routine re-check on Saturday.

If the yacht disappeared Friday night or Saturday morning, how could the boat owner have spent Sunday on it - as he said he did? Why did he wait until Tuesday to report it stolen? Why, in the days prior to the theft, did the owner move the expensive boat from a paid protective slip into a vandal-ridden "free anchorage"?

Early investigation that raises more questions than it answers is a sure sign to continue probing while facts are still fresh and the fraudulent claimant is still off guard. Failure to move quickly and accurately into a detailed investigation is the main reason why court cases are lost, carriers yield to full payments on questionable claims, and claimants become blatant repeaters.

In the case of the yacht loss, where the insurance company had only 30 days to find the boat or pay, moving swiftly was imperative.

Of course, not all investigations uncover culprits. They don't and can't all result in the carrier's favor. But they are cost effective, and, for the price, offer a pretty good return for the company that is defense-minded. They are the "bottom-line" in claims control - and are under-utilized by carriers.

Early investigation is not "building a case;" it's fact finding. It is a whirlpool that draws facts together, pinpoints investigative direction, and finally, pulls the perpetrator into a position for denial. In the yacht case, we ran credit checks, asked the insured's boat slip and apartment landlords if rental payments were made on time, interviewed the man's neighbors, talked to his business associates, and checked his bank accounts. Some questions were direct, many were subterfuge. All kept within the posture of helping the insured establish loss.

On the "desperate" yacht search, the man's story couldn't be verified. He said he had tried to rent an aircraft in Tijuana, Mexico; our investigation revealed he did not. He said he drove to Ensenada; U.S. Customs said they had no license plate record of his vehicle crossing the border. We believed he was lying, but a lie falls short of a conspiracy to commit fraud. (In truth, some claimants fabricate elaborate search stories to impress the carrier's adjuster when losses are difficult to substantiate, or the need for

payment is urgent. This technique is age old, but still works, and many carriers and adjusters yield unnecessarily.)

### Identifiable Patterns

Fraudulent or exaggerated claims frequently fit identifiable patterns. One is the lack of overall logical "fit." The insured said he "loved the boat," yet neighbors said he was fixing it up for sale. His falling income came nowhere near that which could maintain a \$225,000 yacht. We entered the case four days behind the "thieves," but the owner's story seemed to put us only one day behind. The man owed \$175,000 on a vessel insured for \$225,000. Was the \$50,000 equity the motive of a financially impaired individual?

Where cases are tackled early on, the claimant can be his or her own worst enemy as a valuable source of lead information. This insured seemed so sure that the boat had been taken to Mexico, and he was overly anxious to make settlement. He gladly offered excellent photographs of the boat. We had fifty of them duplicated and quickly circulated among all Mexican Port Captains, the U.S. Coast Guard, the U.S. Drug Enforcement Agency, and the Mexican Military.

Frequently, investigation techniques play a key role. In the beginning, contact with the owner was minimal. It gradually increased over the phone with subtle "in-person" calls which lend themselves to taking detailed and unseen recorded notes. Phones also allow us to control the situation psychologically. With face-to-face interviews, it may be the investigator who is pumped for information by the insured, who is aware of suspicion. That is avoided on the telephone, where it is easier to disengage the conversation.

The telephone also lends itself to the appearance of good public relations. What the claimant sees is the carrier's investigator staying on top of the case and maintaining frequent contact. It has all the trapping of good customer service. It puts the claimant on notice that the carrier is thorough and detail-oriented - and puts the investigator in control to neutralize the aggressive claimant.

### Change from the "old days"

By comparison, the old days of investigation were far less sophisticated. Some private eyes operated on the fringes of legality. "In the old days," said one veteran, "we could rope them. We duped the claimant by pretending to be someone other than an investigator." Those days are mercifully long gone, and of course the carriers are better off for it. But the name of the game today is still extracting the claimant's cooperation in doing and saying things that adversely affect his or her ability to defraud the carrier.

### The Case of the Missing Ring

A retired Military Officer filed a questionable \$21,000 burglary claim. It proved to be the second claim against the carrier for the same property. (The first had been denied as a

civil action, based on a police report which concluded the jewelry in question had departed with the insured's former live-in girlfriend.)

At issue was a valuable ring the man claimed was lost with luggage stolen in an auto burglary. A couple of telephone calls by the company sent up red flags, and we assigned to the case. The matter accelerated rather quickly after the insured gave the names and telephone numbers of "people who could verify that he owned the property."

The man had driven to an Eastern city to visit his mother. While in a restaurant there, he said, the car was broken into and the luggage stolen. The police had compiled a theft report and could find no sign of forced entry. They also said it was peculiar that the man would drive 2,500 miles and stop two miles short of his mother's home in a very run down and economically depressed neighborhood that was littered with high crime and drugs.

We called the list of witnesses supplied by the insured, and additional neighborhood investigations developed a name and address of a girlfriend who eventually tripped up the man to even the score on past hostility and abuse. When we discussed the matter with her, we expected and received close cooperation. The ring was not missing, she told us, because she had it.

After further investigation, we found that the man over the years had graduated from an initial \$500 claim to this \$21,000 fraud. He had been educated to investigative procedures by the carrier's adjusters.

As he grew bolder, he knew the "ins & outs" of claims handling from five progressively more expensive losses. He had collected on all of the previous claims.

In verifying the insured's former lifestyle, we spoke with his ex-wife and his mother, who gladly told us in detail about his arrival at the house, with his luggage in hand. After being presented with the conflicting information, the man withdrew his claim.

What is interesting in the case is that we were dealing with a man who had a great deal of experience with insurance adjusters, and yet it proved to be a simple case. There never was a burglary in the car.

Further, we located the ring in another state with his ex-girlfriend. Of course, one cannot collect on a ring which is not stolen. The carrier proved not only vigilant in ordering an investigation, but also responsible to its company stockholders, policy holders, and the industry itself. Other carriers would be wise to review their policies and procedures as to when to proceed with an investigation. The key question is: "Does it stink?" If it does, investigate. The element of doubt is critical.

## It's Never Too Late

Another question is: "When is it too late to launch an investigation?" Almost never. The problem is that carriers are often intimidated by a combination of things, such as failure in negotiations due to a lack of hard evidence. Feeling vulnerable, they throw in the towel - often prematurely. A strong investigator can help an insurer regain the initiative.

Merely taking photographs of the witnesses and claimants when obtaining statements is a sure-fire method of putting them on notice, psychologically, that you are conducting an intense investigation. Be certain you ask permission. Use the "mug shot" technique: portrait and profile. In some cases, a call board is effective. The more the case looks bad, the heavier the photo routine should be. The innocent won't object. The guilty will resist.

## Conclusion

As for the yacht case disposition, as a race against the clock, and the carrier had the courage and the faith to stay with us. On the 24th day, the insured started to get pushy. By that time we had enough information to interrogate him very thoroughly, and gain some time beyond the 30 day limit by bringing up valid points that anaesthetized his aggression.

A 10,000 peso reward pointed us to the Mexican port where two Americans had the boat. The Americans got drunk one evening, leading to a fight with some Mexican fishermen. One man was arrested; the other knew he was sitting on a "hot boat" and panicked. He ditched the boat after starting its motor and pointing it to sail unmanned due westward into the Pacific Ocean.

Sometime later, the U.S. Navy found the storm-damaged yacht about halfway to Hawaii. The networking we had done with the DEA, the Coast Guard, and other officials paid off in the vessel's identification.

All it took was one Navy radio call and the yacht was returned to its owner - but not until after the policy was cancelled! In the meantime, the two Americans disappeared, but the owner never collected a penny for the staged theft. Recovery costs and repairs were minimal compared to the initial \$225,000 claim: the carrier only paid \$7,000 for repairs and delivery.

The lesson here: Because we are on fast track today, an early start with a thorough investigation presents a strong alternative to the temptation of "settling now." The best defense is a good offense in claims control.

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Reprinted from:

Claims Magazine, June 1990

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