



# Fraud, Foreign Deaths, and Interesting Claims

Reinsurance Administration Professionals Association

October 24, 2017

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# Topics of discussion

1. Why we do what we do
2. What is fraud and why do we care
3. Opportunistic and systemic fraud examples
4. How we conduct investigations
5. Who help us investigate

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This presentation provides a general overview of nomadic clans.

Members of these groups have provided positive contributions; however, the main objective of this presentation focuses on those involved in criminal activities, specifically in life insurance fraud.

“Some people lie on insurance applications. Most do not, but some do. Some people carelessly complete an insurance application. Most do not, but some do.”<sup>1</sup>

Some people lie when filing a claim. Most do not, but some do.  
What is the cost of those that do?

<sup>1</sup> In Defense of Contestability, David T. McDowell and Jarrett Ganer, Bracewell & Giuliani LLP

# Why we do what we do

\$572B

\$74B

\$21T



# Cost of fraud



**\$80B**

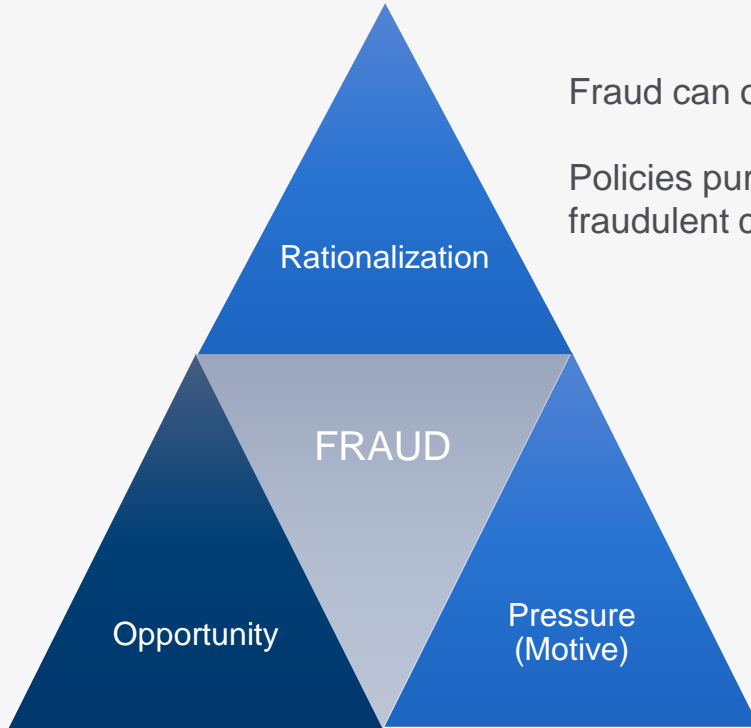
**\$40B**

**\$48B**

Source: Coalition Against Insurance Fraud. Available from URL: <http://www.insurancefraud.org/80-billion.htm>

Source: FBI URL: <https://www.fbi.gov/stats-services/publications/insurance-fraudL>

# Triangle of fraud



Fraud can occur at any policy duration.

Policies purchased legitimately may end in a fraudulent claim.

Fraud triangle developed by criminologist Dr. Donald R. Cressey in the 1950's

- False deaths
- Imposters at underwriting
- Crime / Homicide
- Synthetic persons
- Identity theft
- Lack of insurable interest
- Symptom magnification / falsification
- Misstated financial statements
- Self-inflicted injuries
- ?

According to MN Department of Commerce, Insurance  
Crime second only to drug trafficking



# Who may commit fraud?

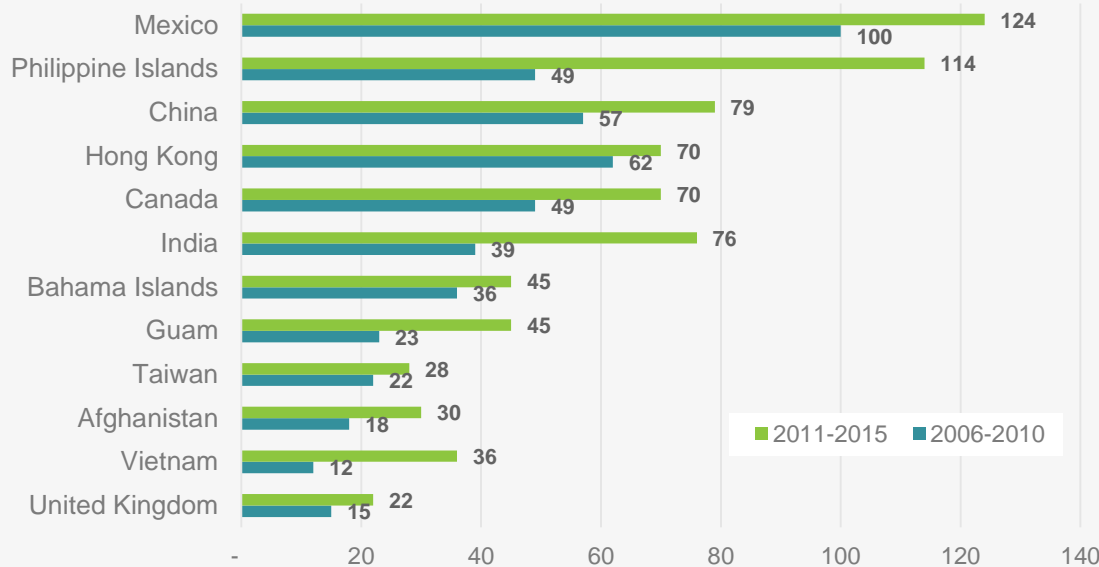
- Agents/brokers
- Consumers/insureds
- Accountants
- Funeral homes
- Employers/employees
- Inspection companies
- Government agencies
- ?

Anyone with the perception of need, opportunity, and rationalization is suspect

# Foreign deaths



## Top 12 foreign death claims by lives



### Largest increases:

- Vietnam 200%
- Philippines 133%
- Guam 96%
- India 95%
- Afghanistan 67%

2006-2010: 812 lives 2011-2015: 1,234 lives - an increase of 52%  
Count for 2016 is 250 lives



Opportunistic fraud examples

# Identifying fraud





## SCOPE OF INVESTIGATION

Sales

- Agent communications
- Marketing material
- Application
- Underwriting requirements



Notice

- Collection of initial data including location of death, circumstances, etc.
- Set expectations with client
- Review all available information incl. policy definitions
- Interview agent
- Verify procedures were followed when policy was issued.
- Engage investigator

Forms

- Obtain releases
- Special questionnaires (eg. smoker, foreign death, etc.)
- Are facts asserted consistent with application and initial notice?
- New leads developed?

Data

- Understand circumstances of death / disability
- Obtain medical, financial and other information relevant to the issuance of the policy
- Police reports, ME reports, etc. all important
- Verify assertions
- Determine if data consistent with sales process and others
- Search for possible motives

Decision

- Engage underwriters
- Communicate clearly and concisely
- Assume all documents will be visible to a jury should the claim be denied
- Review current case law if material misrep or fraud found.



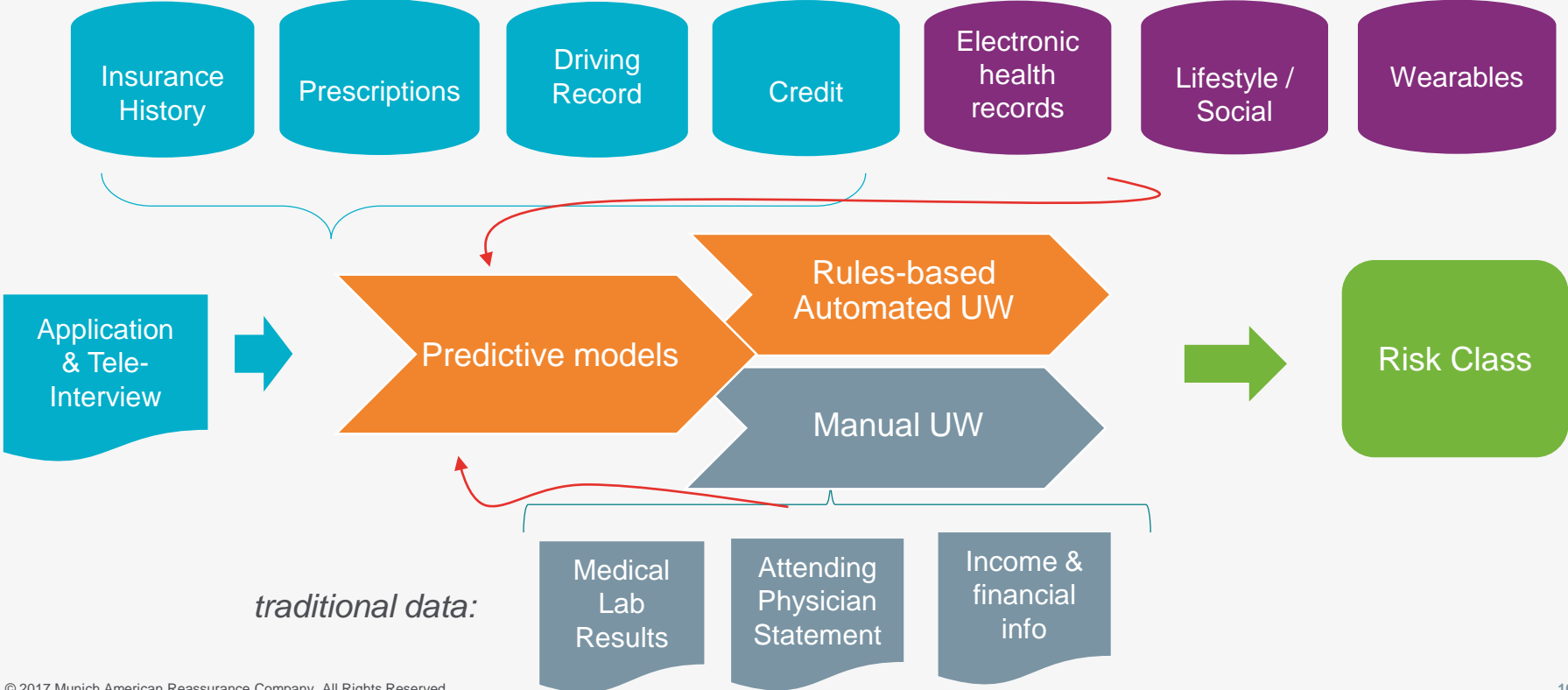
# Securing source documents can be daunting

- Interviews
- Medical/hospital records
- Prescription drug history
- Financial documentation
- Employment history
- Other coverage verification
- Agent interview/file copy
- Police, Medical Examiner reports



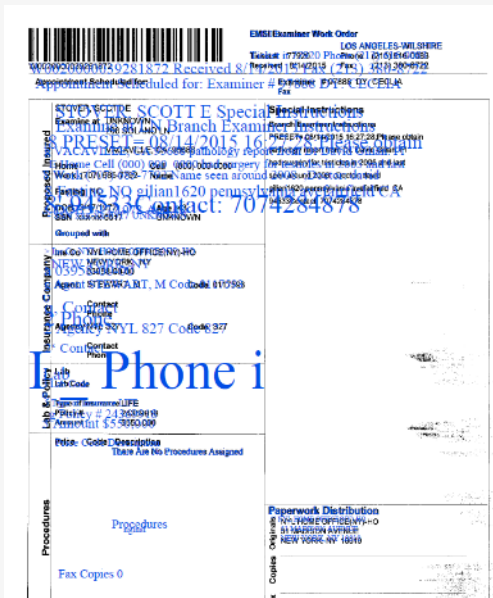
# New tools need to integrate into the underwriting process

*available risk assessment tools / data:*



# Predictive analytics with digitally extracted data

1) The APS provided the most useful information for modeling.

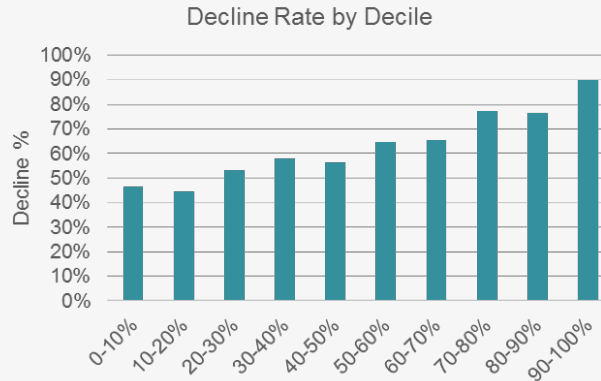


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2) Various regression and machine learning techniques including random forest, gradient boosting and support vector machines applied to predict probability of decline.



3) Besides probability, model provides keywords driving prediction along with page where found in text.

- axillary: 12, 28, 30
- prostate: 12, 56, 57
- svc: 33
- ancillary: 39, 40, 41, 43, 44
- prostatic: 57, 61
- influenza: 62, 63, 66
- jaundice: 59
- excised: 59, 61, 62
- jaundiced: 68

# Data and tool options are expanding





- We appreciate the information you share with us !
- Fraud is expensive.
- Failing to identify fraud may lead to more fraud.
- Fraud may occur at any time in the policy life cycle.
- Deaths reported abroad have a greater likelihood of being fraudulent
- Nearly all fraudulent cases start with “official” documents
- Verify the data – it should be like a puzzle with all the pieces fitting.
- Interviews are important to evaluate the non-verbal messages.
- If you suspect fraud, work with your reinsurers.

# Questions



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