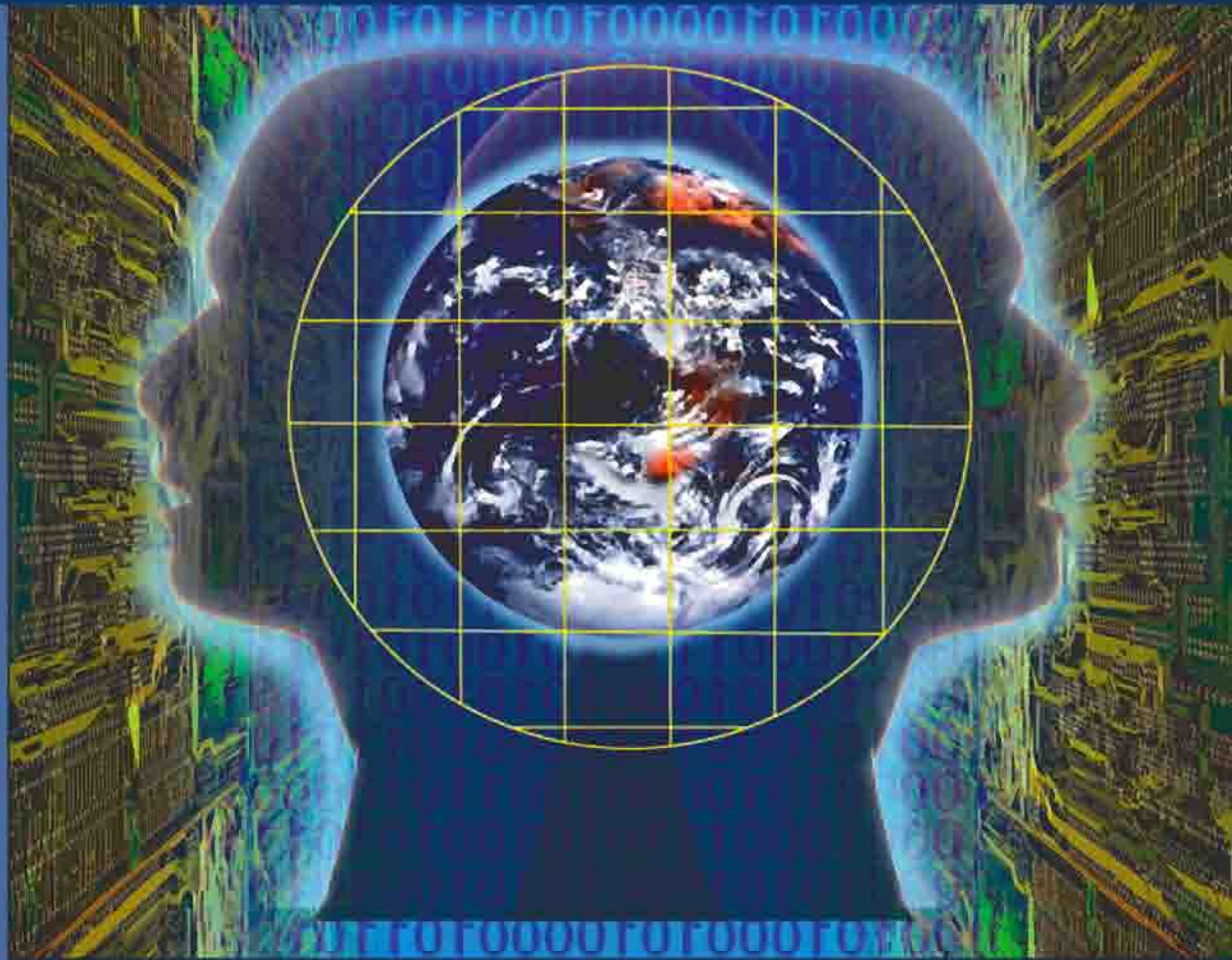


UNITED WE BRAND

Toward a national anti-fraud outreach campaign



COALITION AGAINST INSURANCE FRAUD

DECEMBER, 2006

**INSIGHT
SERIES**



**Coalition Against
Insurance Fraud**

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EXECUTIVE SUMMARY

Insurance fraud is one of America's most-damaging crimes. These swindles cost at least \$80 billion a year, and rob honest citizens of their life savings and jobs. Victims also die from fraud schemes. They also face shame and despair that can last years. Families are broken up when schemers are jailed, as well. Insurance fraud also is far-reaching: It victimizes people from all strata of our society, and is committed by people from all strata. Equally concerning, a large percentage of Americans tolerates this crime, consumer attitude research consistently shows.

Unified Campaign

Public outreach can be a powerful tool for helping deter people against insurance schemes, and reducing this crime's damage. But current outreach efforts around the U.S. are fragmented. Anti-fraud groups now have widely varied budgets, staff sizes and expertise. Truly campaign-style efforts backed by longterm planning and rigorous research also are relatively rare.

To close this gap, fraud fighters should explore joining forces to launch a unified national outreach campaign. By pooling their talents and resources, fraud fighters can better identify the problems that need addressing; apply more science and funding to the effort; and attack fraud with a truly campaign-level strategy.

The effort could take many approaches. For example, it could focus on deterring specific classes of swindlers such as normally honest people who commit so-called "soft" fraud. It also could work to empower specific groups that are often victimized, such as seniors, Hispanics or Asians. The campaign could target specific fraud schemes such as staged-accident rings, fake thefts of vehicles by owners, or bogus workers compensation claims. Another approach is to target entire lines of insurance, such as automobile or workers compensation.

But fraud fighters first must determine if a unified national campaign is feasible. One factor is high cost: The effort could easily scale up to tens of millions of dollars a year. The effort also is time-intensive; will stakeholders make the commitment to launching a large campaign and sustaining it well into the future?

Rigorous Research

Whatever the campaign's focus, all phases must be based on credible research. One key area involves anti-fraud messages. Most fraud fighters now use variations of two basic messages: "Insurance fraud costs everyone money," and "You'll get caught and go to jail." But the second message may be off-target. Many would-be swindlers are more worried that being convicted will hurt their kids and expose the schemers as unfit family members, according to statewide research by the Pennsylvania Insurance Fraud Prevention Authority. If the first message may be ineffective, how can fraud fighters be certain the "cost-you-money" message works either? More research is needed to ensure fraud fighters are using valid messages and other tactics.

Research also will help better measure campaign results. Campaign organizers will need to decide which metrics are accurate, measurable and achievable. Fraud fighters should consider success indicators such as fraud convictions, changes in people's attitudes about a targeted scheme, volume and quality of news coverage, calls to fraud hotlines, claiming behavior, impact on premiums and ad recall.

Careful Planning

Managing such a large effort will require careful planning. One issue is to identify and involve key stakeholders, and determine what decisionmaking and advisory roles they should play. Among the stakeholders are insurers, national anti-fraud groups, state organizations such as insurance departments and their fraud bureaus, federal agencies such as the FBI, and public-interest groups that represent major constituents such as seniors, Hispanics and Asians.

Creating a workable outreach agenda and setting clear lines of authority will be among the many other major challenges. There are numerous management models such as a permanent steering group; having an existing outside group chair the operation; and creating an entirely new group to manage the campaign.

A relatively small and informal steering group of leaders should address the startup issues such as determining the campaign's feasibility, creating a management structure, securing funding, conducting initial research and designing a pilot campaign.

The leadership council could shift focus and become a center of research and development for the entire anti-fraud community if the national effort proves unfeasible. This would place the best strategic ideas and outreach tools at the fingertips of fraud fighters throughout the U.S.

This group could conduct practical research to share with all fraud fighters. What motivates and deters fraud criminals, and what messages do consumer segments respond to, and not respond to? Developing outreach tools could be another core mission. Interactive website features, public service announcements, anti-fraud ads and manuals with practical campaign ideas are just some of the useful outreach tools.

Large Potential Benefits

Fraud fighters have their greatest impact when they join forces and apply focused pressure on a problem. Creating a national outreach campaign holds this same promise. Insurance fraud is so vast that even relatively modest changes in behavior and attitudes could yield enormous aggregate benefits that more than justify the investment. It's an ambitious vision, and one that can help increase the impact of fraud fighting for years to come.

The way we communicate with others and with ourselves ultimately determines the quality of our lives. — Anthony Robbins

If you cry “Forward” you must be sure to make clear the direction in which you want to go. — Anton Chekhov

We always speak well when we manage to be understood. — Moliere



INTRODUCTION

Name a public policy issue in America today. The most-successful groups deploy astute public-outreach campaigns to build support, raise funds, pass legislation and make their causes higher national priorities. Few causes can succeed unless they build a strong base of public support. Dynamic, well-targeted outreach campaigns are crucial for influencing the attitudes, beliefs and ultimately behaviors of the stakeholders.

Public outreach campaigns are credited with saving untold thousands of lives through skillful efforts to educate people about drunk driving, drugs, AIDS, heart disease and cancer, to name just a few health and public-policy concerns. Public outreach also is improving the quality of people’s lives by promoting child literacy and healthy diets, fighting child abuse and seeking a greener environment.

The Ad Council credits these results to its national public-service campaigns:

- Big Brothers Big Sisters more than doubled hotline calls, mentoring applications increased seven-fold, and matching of clients and mentors nearly doubled—all in six months;
- The National Office of Drug Policy motivated 76 percent of hotline callers to act, such as attending an event, donating resources, or speaking to others about creating a local anti-drug coalition; and
- The American Heart Association’s “Go Red For Women” campaign to reach women with lifesaving messages about heart disease motivated more than 300,000 women to enroll in the campaign. The effort raised more than \$45 million, the Heart Association’s web hits doubled and more than 12 million red dress pins were distributed nationally.

Insurance fraud should be a similar national crime-fighting priority. Fraud is one of America’s most-damaging crime waves. It causes immense harm to people’s lives, America’s economy, insurers that are victimized by scams, and to the insurance-buying public that pays the fraud bills through higher premiums, plus increased costs for virtually all goods and services.

In this environment, leaders of America's anti-fraud community took a temperature reading of their public-outreach efforts. The Coalition Against Insurance Fraud and Chief Claims Officer Roundtable (CCOR) co-sponsored an outreach summit in Washington, D.C. in September 2005. CCOR is a strategy group of senior claims executives from 18 leading property-casualty insurers.

Senior executives of insurance companies, public-interest groups, academia and law enforcement examined current outreach efforts in detail (see *Appendix 1*). They also began mapping a vision of how fraud fighters can raise their outreach efforts to a higher level. They reached four broad conclusions:

- Insurance fraud is a persistent, costly and deeply entrenched crime. It victimizes people from all strata of society. It also is committed by people from all strata of society, from average citizens to hardened criminals to higher-income brackets;
- Public outreach is an important tool of fraud detection and deterrence;
- Outreach efforts collectively are fragmented, underfunded and lacking in research-based science; and
- Fraud fighters must explore the feasibility of a sustained, coordinated national outreach effort.

Branding Insurance Fraud

A national anti-fraud campaign would be an ambitious branding exercise—the largest-ever attempt to brand insurance fraud as a national scourge that American society should decisively unite against.

This white paper builds on the forum's broad consensus. It fleshes out the discussions in greater detail, frames many of the key issues for further analysis, and creates a roadmap that decisionmakers can follow as they explore how to raise outreach efforts to a new level of impact. Fraud fighters also can pursue expanded public-awareness efforts in their own states, regions or organizations, employing the ideas in this paper as a roadmap.



SCOPE OF THE FRAUD PROBLEM

Insurance fraud is one of America's costliest crimes. Its damage spreads throughout America, costing insurers and the public billions of dollars, wreaking havoc on thousands of victims, and weakening our society's moral fabric.

Heavy fraud losses. Conservatively, swindles cost property-casualty insurers and policyholders about \$30 billion a year, compared to insurers' recent annual earnings of \$20 billion. Fraud losses across all lines amount to at least \$80 billion annually, estimates the Coalition Against Insurance Fraud, and could be as high as \$120 billion, according to other estimates. If Insurance Fraud, Inc. was a legitimate corporation, it would rank in the top 20 among the Fortune 500 in annual revenue (as of November 2006).

Fighting fraud: insurer costs. Insurers spend hundreds of millions of dollars a year funding a large but still seemingly inadequate anti-fraud apparatus. About 85 percent of property-casualty insurers pay for inhouse investigation units. Hundreds of insurers also pay for vendors such as surveillance and software firms to support their anti-fraud operations.

Insurer claim departments, adjusters and other employees also divert resources from other core missions to fight fraud. Communications departments, for example, deploy staff to help educate the public. Insurers also are involved with fraud legislation, regulations and numerous other anti-fraud activities.

A host of other national and state groups such as the National Insurance Crime Bureau, Coalition Against Insurance Fraud, and Pennsylvania Insurance Fraud Prevention Authority are funded fully or in part by insurers.



Fraud also places upward pressure on premiums, thus reinforcing a perception that insurers are price gouging. This animosity encourages yet more fraud, and could inflame public hostility enough to encourage punitive legislation, regulations and other measures.

Fighting fraud: taxpayer costs. Untold millions of taxpayer dollars—federal, state and local—are diverted from other pressing societal problems to combat insurance fraud. About

80 percent of states sponsor insurance fraud bureaus with a combined budget of nearly \$130 million annually.¹ Numerous anti-fraud taskforces and special prosecutors fight staged-accident and medical fraud rings, further draining tax dollars.

Federal agencies including the FBI, U.S. Postal Inspection Service, and Health & Human Services (Medicare and Medicaid) spend millions of taxpayer dollars annually fighting insurance crimes. The large numbers of state and local agencies and prosecutors add to the drain on taxpayers.

Fighting insurance fraud also diverts significant resources from preventing and solving other crimes such as drugs, terrorism, murder, robbery and corporate fraud.

Victims: financial costs. Insurance buyers pay billions of dollars in higher premiums annually by absorbing fraud costs. Fraud, for instance, can add several hundred dollars to a family's annual auto premium in some states. Insurance schemes also cost victims their life savings. Swindled businesses also can be weakened and even bankrupted, and may have to freeze salaries or lay off employees.

Victims: personal costs. Thousands of fraud victims pay a steep personal price. People die and are injured by swindles. They also suffer humiliation, despair, depression, lost productivity and lower earning capacity. Families are broken up when convicted fraudsters go to jail.

Victims: societal costs. Fraud steadily drains America's economic vitality. Swindles also erode our social order and sense of justice, reinforcing a crime-pays mentality that encourages insurance fraud to become an accepted way of moving up in life. This encourages more people to commit fraud, thus threatening a costly upward fraud spiral. Millions of young people and recent immigrants, who are looking for role models of behavior, are especially at risk.

High Public Tolerance

Americans have a disturbingly high tolerance of insurance fraud, which reinforces concern about whether the nation's social values are declining. As many as one of three people say insurance fraud is acceptable under some circumstances, note separate studies by Accenture and the Insurance Research Council (IRC).²

One of 10 Americans also would commit insurance fraud if they knew they could get away with it.³ Nearly three of 10 people wouldn't report insurance scams committed by someone they know, says a survey by Progressive Insurance.⁴

Many normally honest citizens tolerate fraud, and take part in smaller “soft” swindles such as claim padding or lying on insurance applications. In fact, soft fraud by average consumers is more widespread than hard fraud, many insurers agree in a joint study by IRC and Insurance Services Office.⁵ Even a large percentage of doctors admit they’d exaggerate patients’ symptoms so health insurance will pay for their medical care.⁶

As long as insurance fraud has the tacit and overt support of so many segments of society, this crime will remain entrenched, hard to deter, and increasingly costly to all Americans.

Little Headway

Overall, the consensus among leading property-casualty insurers is that fraud fighters are making too little headway against this crime, according to an internal study by McKinsey & Company for CCOR. Lack of coordination in many areas of fraud fighting, too much focus on shortterm planning, and lack of clarity over the value of public awareness as an anti-fraud tool have all contributed to the belief that although some progress is being made, it’s not nearly enough to adequately reduce the tens of billions of dollars insurers and their policyholders are losing each year.



Outreach Weak Overall

A large force of communicators from diverse organizations now works to alert America about insurance fraud. These are typically well-intended and often passionate efforts by professionals who care deeply about curbing this crime. But collectively, fraud fighters still are underachieving. Public-awareness efforts are fragmented and lacking in coordination among anti-fraud groups. Campaign-level strategy, research and adequate budgets also are rare.

Fragmented. The resources, priority, expertise and presumed impact vary widely, a survey of 16 fraud-fighting groups in the U.S. found in 2005. Usually the resources applied to outreach programs are well below the levels needed to have the needed impact. But on the positive side, most anti-fraud organizations do sponsor at least a minimum level of outreach activities. This suggests widespread agreement that public outreach adds at least some value to anti-fraud efforts.

These surveyed groups represent a viable cross-section of the anti-fraud community. They include independent public-interest groups and major insurers, plus state insurance departments and other public agencies. They represent diverse sizes and budgets, and cover the national, regional and state levels.

Budgets. Outreach budgets are generally inadequate. They range from almost zero to about \$1.7 million annually. Given the difficulty of altering deeply held attitudes and behaviors, and the costs of modern outreach programming, few budgets are even remotely adequate for the large task at hand.

Campaign-level execution. Most outreach efforts don’t take a strategic approach to planning or execution. They tend to lack long-range planning, research and campaign-level execution. Many efforts appear mostly tactical, relying on basic website alerts, news releases and other routine tactics.

Several anti-fraud groups do maintain ongoing campaign-level programs (e.g., New York Alliance Against Insurance Fraud and Virginia State Police), but they appear to be in the minority (see *Appendices 2-4*).

Staffing. Staff size and sophistication vary greatly. Some groups have fulltime fraud staffers and even hire public relations agencies. Other groups may assign an employee only parttime to fraud, while others simply have staffers fill in as needed.

Technology. Most fraud fighters appear cautious about using newer technology for public awareness. Websites, for example, generally are static and limited to basic consumer anti-fraud tips. Only a small minority offers robust sites that serve as vibrant, online community centers for the public and fraud fighters alike.

There are few lively, interactive website features to deeply engage consumers. There's also no evidence that fraud fighters use newer web tools such as blogs, podcasting and Really Simple Syndication (RSS). These are rapidly becoming standard fare for many communicators in other industries. Social-networking websites such as YouTube, MySpace and Facebook also are changing how millions of young adults and teenagers interact and receive information.

Nor do many anti-fraud groups appear to have developed traditional tech tools such as consumer fraud videos and video news releases, or newer tech tools such as webcasting.

Research. Insurance is an intensely data-driven industry. But surprisingly, this insistent demand for data and measurement rarely applies to anti-fraud outreach efforts despite this crime's multi-billion-dollar price tag each year.

Few fraud fighters appear to rigorously research their outreach programs. Thus there's little science to guide front-end program development, or measure downstream results. Rigorous data can inject science, precision and focus to outreach efforts. Fraud fighters can learn about important things such as what motivates—and discourages—the audiences they're trying to reach. Pilot programs can better test strategies and iron out bugs. And results can be measured after the campaign ends.

Drunk driving is a case in point. Alcohol-related crashes cost \$51 billion annually,⁷ far less than

the estimated \$80 billion in yearly fraud losses across all lines of insurance. But even so, public-interest groups such as Mothers Against Drunk Driving have a large bank of research to help focus their outreach efforts with much precision.

America's Changing Profile

Broader shifts in society also could increase the potential for insurance fraud throughout America, some social scientists say. One shift is people's growing isolation from each other, and from society. The loss of community could lead to an "every man for-himself" mentality, and deprive consumers of positive role models who could inspire others to avoid insurance fraud.

A second change is a dislike of large institutions—such as insurers. Polls show that people's opinions of government, business and the news media are at an alltime low. Many Americans don't trust large institutions or find them credible; this cynicism could increasingly make insurers targets of fraud.

A third shift involves America's changing demographics. The nation's population passed the 300-million mark in late 2006. The sheer population size and continued speed of growth could increase the statistical odds of more insurance fraud. America's ethnic identity also is shifting. The rapid influx of immigrants brings vibrant new talent and productive forces to the U.S. But many immigrants also could be victimized by schemes, and recruited into them (see *Classes of Swindlers*, pg. 10, and *Classes of Consumer Victims*, pg. 12). Many immigrants also come from nations with vastly different value systems and cultures than the U.S. This can complicate efforts to educate many immigrants about insurance fraud.



THE NEED: UNIFIED NATIONAL CAMPAIGN

The insurance fraud-fighting community should explore the feasibility of a unified national outreach campaign to unite and strengthen their fragmented efforts, attendees at the 2005 public-outreach conference strongly agreed. By pooling their talents and resources, fraud fighters could:

- Better identify the core fraud problems and needed solutions;
- Apply more science, funding and manpower;
- Attack fraud with a truly focused campaign-level approach;
- Better measure results; and
- Mount a coordinated, longterm response.

Campaign Targets

The campaign could attack the fraud problem from many angles. It could be one monolithic effort, or several programs of varying sizes and focuses. Some efforts could run simultaneously, and some sequentially. The campaign could be structured around variables such as:

- Classes of swindlers (or potential swindlers);
- Classes of fraud victims (or potential victims);
- Classes of swindles;
- Locale (region, state or local);
- Lines of insurance;
- Tolerance of fraud;
- Single unified campaign;
- Unplanned emergencies; and
- Fraud legislation.



Classes of Swindlers (or potential swindlers)

The campaign could work to deter specific classes of swindlers and would-be swindlers such as:

Career criminals (hard fraud). Committed criminals tend to view insurance fraud as their business, or at least as a lucrative side job. Many run large and complex “hard” schemes such as staged accident rings and workers compensation medical mills. But can campaign messages threatening arrest, social stigma, shame and embarrassment discourage such hardened criminals?

Opportunists. These swindlers usually are honest citizens—or at least aren't willful career criminals. They live fairly normal, law-abiding lives, but react to fraud opportunities. This often happens in a sudden moment of greed or desperation.



- **Commit soft fraud.** Some opportunists take part only in small-dollar “soft” scams. A church-going neighbor lies that he garages his car in another state in order to reduce his auto premiums. Or nice cousin Roslyn inflates the value of her stereo system a little when making a claim after a home burglary.
- **Commit hard fraud.** Sometimes the fraud involves relatively serious “hard” swindles, often driven by desperation or a momentary lapse in moral backbone. A car owner may torch his SUV when he can't afford the payments anymore. A homeowner burns down her house for insurance money to offset a job

loss or pay gambling debts. An insurance agent steals client premiums to bail out a struggling agency or buy a vacation home.

Ethnic groups. Millions of immigrants come to U.S. soil every year, making insurance fraud a truly polyglot crime. Recent immigrants, for example, are routinely recruited to serve as “injured” passengers in staged car crashes. Some ethnic insurance agents also sell phony policies to immigrants by exploiting the trust clients have in fellow countrymen. In some areas, there's a black market for bogus auto-insurance cards for illegal immigrants who need driver licenses.

Two ethnic groups that could warrant specific attention are:

- **Hispanics.** They're America's largest minority with 42.6 million, and rapidly growing. They're often recruited into fraud schemes—especially auto and health swindles.
- **Asians.** The number of Asians in the United States will double to 33.4 million by 2050, according to the U.S. Census Bureau. Asian fraud gangs in the U.S. actively recruit fellow immigrants, and solo swindlers often victimize trusting countrymen, according to law-enforcement sources.

Generations X and Y. Two large generations totaling more than 70 million Americans are coming of age. Gens X and Y could form America's prime pool of swindlers—or fraud's committed opponents—for decades to come. They have distinct generational values. They're also maturing at a divisive time of war, rampant political corruption, global warming and falling family income. Many see less hope for their futures. Thus many might commit fraud as a cynical gesture, or as an easy way to make their way through life.

They're also the most tech-savvy generations. Technology is a lynchpin of their lifestyles. It provides their main sources of news and entertainment, and greatly influences their values. Many Gen X and Y members, for example, are videogame players. Two highly popular games—Grand Theft Auto and Saints Row—celebrate and encourage insurance schemes. Fraud fighters should learn how to use technology to help program young adult values against this crime.

School-age youths. The tail end of the Gen Y boom is still in school. Can they be deterred before they reach insurance-buying adulthood? In a preemptive strike, should teenagers (and younger children) be priority outreach targets while they're still forming core values that will direct their ethical decisions as adults?

Classes of Consumer Victims

Though insurers are among the largest fraud victims, the campaign also can address potential fraud victims among consumers and businesses—empowering them to fight fraud as “citizen soldiers.”

The campaign would be partly motivational: It would make consumers angry about fraud, less likely to commit fraud themselves, and less tolerant of other swindlers.

More to the point, the campaign would empower consumers to avoid being defrauded. Thus it would arm them with practical information: What insurance scams to watch for, how to spot fraud warning signals, and what actions they should take (e.g., “Call your state insurance department to see if your agent and insurer are licensed.”).

Among the possible campaign audiences:

General public. Average consumers might benefit from overarching anti-fraud messages that encompass all lines of insurance, kinds of scams and other variables. “Verify Before You Buy” is a tagline developed by Florida’s Department of Financial Services. Would some variation of this theme be effective as a universal call to action against insurance fraud?

Seniors. Seniors are routinely victimized by con artists seeking to exploit their trusting natures and built-up financial assets. They’re often sold unsuitable and expensive life insurance. Unneeded coverage also is secretly slipped into their policies. Their premiums are stolen, and seniors are even targeted for deadly staged accidents. Adding urgency is that nearly three million Baby Boomers turned 60 in 2006, according to the U.S. Census Bureau, and the rest of this 78 million-strong generation will reach this milestone during the next decade. Boomers are creating a vast new pool of potential fraud targets, and with longer life expectancies than their predecessors.

Small businesses. Small businesses form one of America’s economic engines. Approximately 45 million Americans, nearly a third of the labor force, own and operate small businesses, according to the Ewing Marion Kauffman Foundation. Main Street firms are frequent targets of swindles as well. Swindlers often perceive them as unsophisticated and vulnerable to shady come-ons. Thousands of owners have been sold fake health and liability insurance, for example, and have been victimized by crooked Professional Employer Organizations. These are firms that businesses hire to provide them with affordable services such as accounting, insurance and other services.

Ethnic groups. Recent immigrants often are targeted in fraud scams, and are enticed into becoming participants in fraud rings. Their lack of English skills and minimal knowledge of insurance make them vulnerable fraud targets. Outreach efforts could focus on Hispanics, Russians, Eastern Europeans, Asians, Caribbeans or other ethnic groups. The efforts would be calibrated to the language, values and culture of each group.

Generations X and Y. As mentioned, these young adults are entering the economy as a large and growing pool of insurance consumers. More will reach insurance-buying age over the next 10 years. Fraud fighters may have to reach these tech-savvy young consumers by adapting to their lifestyle tools such as iPods and social-networking websites.



Classes of Swindles

A public-awareness campaign could target specific insurance crimes. Among the candidates (random order):

- Staged automobile accidents;
- Auto arsons and fake auto thefts (owner giveups);
- Padded claims by average consumers;
- Fake group health insurance;
- Fake commercial liability insurance;
- Health-insurance scams;
- Fraud by insurance agents (e.g., stealing client premiums);
- Airbag fraud;
- Windshield repair scams;
- Bogus disaster claims;
- Phony workers comp injury claims;
- Workers comp premium scams by businesses;
- Fraud by Professional Employer Organizations; and
- Medical mills and other organized rings.



the market needs of individual campaign members, availability of useful data, and whether success is reasonably achievable.

Locale

The campaign could target states, regions, counties and even cities that have significant fraud problems. One locale might be troubled by individual kinds of schemes that are damaging enough to warrant focused attention. Some larger cities right now, for instance, are rife with staged-accident rings. A single ring can easily steal hundreds of thousands of insurance dollars or more a year through fake injury claims.

Some regions now have serious problems with businesses avoiding workers comp premiums by lying about their payrolls or workforce size. Auto arsons for insurance money are problems in some states. In several states, growing numbers of auto policyholders lie that they garage their vehicles in neighboring jurisdictions with lower auto premiums. Agent theft of client premiums is a significant problem in many states. A variety of insurance schemes are widespread in states with large populations of seniors.

Lines of Insurance

The effort could fight fraud across the major lines of insurance: property-casualty, life, health and disability (see *Campaign Management*, pg. 21).

It also could focus solely on property-casualty crimes, and include life and health when their interests overlap. But property-casualty is a large and diverse world in its own right. It includes auto, homeowner, workers compensation, liability and many other lines of coverage. There are many swindles even within each subcategory. Targeted auto scams could include staged accidents, staged auto thefts for insurance money, and numerous others.

Achieving a workable agenda thus will require careful coordination among the many fraud fighters and insurance interests.

Tolerance of Fraud

Another approach is to target people according to their tolerance of insurance fraud. Using cluster analysis, the Coalition Against Insurance Fraud discovered that 96 percent of Americans fall into one of four groups based on their tolerance of fraud:⁸

Realists (22 percent). This group has low tolerance of fraud but realize it occurs. They believe some fraud is justified under some circumstances, and don't favor strong punishment. *Implication:* Realists must be convinced that insurance fraud isn't a victimless crime.

Conformists (26 percent). They are fairly tolerant of fraud, largely because they believe many people do it. This makes fraud more acceptable, and they believe only in moderate punishment. *Implication:* They must be shown that fraud isn't as widespread as they believe it is.

Moralists (31 percent). This is the largest group of Americans, and are the least tolerant of fraud. They believe there's no excuse for this behavior. They favor severe punishment of convicted fraudsters. *Implication:* Their low tolerance of fraud needs reinforcing.

Critics (21 percent). While the smallest cluster, this group has the highest tolerance of fraud. They blame the insurance industry for people's fraudulent behavior, because they believe insurers don't conduct business fairly. The Critics want little or no punishment. *Implication:* Must be convinced that fraud is a major contributor to rising premiums, and that insurers are working hard to stop fraud.



Single Unified Campaign

The campaign could be highly general, combating all forms of fraud in all lines at once. The effort might include broad anti-fraud themes and messages, with a universal call to action (e.g., "Call your insurance department to report suspected frauds.").

Generally, however, public-awareness campaigns are most-effective when they're precisely targeted—much like a surgeon can better operate with several finely-sharpened scalpels than one big kitchen knife. Precision strikes allow more-accurate focus on the dynamics of each campaign audience. Whether one unified campaign can succeed against a crime as diverse as insurance fraud will require more research and discussion.

Unplanned Emergencies

Some serious insurance scams suddenly arise, inviting an emergency response outside of planned campaign strategies. Should the campaign have flexibility to address sudden and unplanned fraud emergencies?



Hurricanes, floods and other natural disasters erupt at unexpected moments, as do man-made disasters such as the World Trade Center bombing. Such disasters can spawn large numbers of bogus claims that exploit the confusion of an emergency environment.

Man-made insurance disasters also are a problem. Fake health insurance plans, for example, suddenly exploded on the national scene in 2002, forcing anti-fraud groups to take emergency steps to alert consumers around the U.S. Many such crimes come in cycles, so future outbreaks are highly probable.

Fraud Legislation

Public outreach can help pass strong anti-fraud legislation as a campaign byproduct. When consumers become more aware of insurance fraud, its severity and society's high price, they're more likely to support legislation that will help curtail fraud.

Legislators are consumers, as well. Educating them about fraud might convince more legislators to increase their support of anti-fraud bills. As legislators recognize the willingness of insurers to fund anti-fraud campaigns, they also may be willing to invest more government resources into this effort.

IS A CAMPAIGN FEASIBLE?

The campaign concept has an obvious appeal: It's a unifying and energizing idea that puts fraud fighters squarely on the offensive. It also draws more national attention to this pervasive crime. But anti-fraud leaders still must answer a threshold question: Is the campaign feasible? Among the issue drivers:

Recognition of fraud. Insurers and other key stakeholders first must finally decide their severe fraud losses are no longer acceptable, recognize the value of public outreach as an anti-fraud tool, and that a more-effective response is required.

High financial cost. A national campaign, with major-market advertising, could easily scale up to tens of millions of dollars annually. Insurers likely would be the primary funders, given their assets plus their vested interest in protecting policyholders and stock value. Would enough insurers view a national campaign as an investment with a potentially high-enough return?

Complex and time-intensive. Managing a potentially large and diverse campaign will require much time and energy. Can the organizers divert so many resources from other core internal priorities? Fraud is so complex and diverse that campaign organizers will be challenged to achieve a manageable focus (see *Campaign Targets*, pg. 10).

Need for sustained effort. Changing entrenched fraud attitudes and behaviors may require years of continuous effort. But campaign partners must be willing to maintain this high level of commitment probably well into the future. This is equally true of funding (see *Funding the War Chest*, pg. 16). Given such a distant payback horizon, can the campaign stay focused for possibly years to come?

Need for actionable data. Research provides the data needed to guide campaign goal-setting and measuring of results. But basic data about insurance fraud, the perpetrators and victims, are in relatively short supply. The campaign must overcome a Catch-22 trap: Funds are needed to conduct vital campaign research, but research is required to justify the funds. The solution may involve a well-reasoned leap of faith: Accept a lower threshold of scientific proof needed to justify funding at the outset. The anti-fraud cause is important enough to support while the campaign builds the needed science over time (see *Research*, pg. 17).

Competitive issues. Insurers may need to share possibly sensitive fraud data during campaign planning and execution. This will help identify and target campaign-worthy swindles and trends. Would insurers share closely held internal data with competitors?

Competing non-fraud priorities. Potential partners outside of the anti-fraud community must be convinced that insurance fraud should be a priority. One major national Hispanic organization, for example, is heavily focused on issues such as electoral involvement, education and civil rights. Could that group be convinced to shift its core objectives to include insurance fraud?



FUNDING THE WAR CHEST

Properly funding the campaign will rank among the biggest challenges. Insurance fraud competes with numerous internal priorities for the attention of many stakeholders. Yet, for an effort of the campaign's size and ambition to succeed, the funding must meet demanding criteria:

- *Large* enough to launch a campaign of sufficient scale;
- *Reliable* enough to allow continuity from year to year;
- *Sustained* long enough to have a serious impact; and
- *Open-ended* enough to be redirected when new campaign priorities arise.

Among the possible funding sources:

Insurers. Insurance companies likely would be the primary campaign financiers, given their large stake in the outcome.

Grants. Grants from government agencies and private foundations are possible funding sources. Insurers and non-insurers both sponsor foundations whose grant criteria the campaign might well meet. But grants often come with strict limits on how the funds are spent, thus reducing flexibility. Grant-seeking also can be highly competitive, time-consuming and expensive—with no guarantee the money will be awarded. Nor is the same amount of, or any, money guaranteed in ensuing years. Foundations thus might be a helpful secondary funding source, but less likely a reliable primary source.

Vendors. Hundreds of vendors such as surveillance and software firms serve the anti-fraud community. Many vendors may wish to contribute funding, though probably at a secondary level. Still, their involvement and enthusiasm could add greatly to the campaign.

RESEARCH

For a campaign of this scale to succeed, all phases must be based on disciplined and credible research. This large inventory of data will help in developing anti-fraud messages, strategies and tactics, and in measuring results. Data-driven outreach is standard for large outreach efforts involving many other public-interest causes. It should become a staple for the leaders designing any anti-fraud public outreach campaign.

Understanding Swindlers and Victims

Research will help reveal much about people's motivations: Why do normally honest consumers commit smalltime scams, and what deters them? What prompts people to become career criminals? What, if anything, discourages them?

What messages make people mad about fraud, stir them to action, convince them that fraud is a dead-end street? How do people of different genders, ages, ethnic backgrounds or economic status respond to various anti-fraud messages? How do they react to media such as TV, newspaper ads, website features or podcasts?



Understanding Fraud Itself

Data about fraud crimes can help identify and prioritize swindles the campaign might address. Data could be mined to illuminate trends such as:

- Insurance dollars stolen;
- Number of people scammed;
- Suspicious claims;
- Fraud arrests;
- Case referrals to fraud bureaus or prosecutors; and
- Trends in convictions and sentences.

The numbers also could reveal much about who is being swindled; where; how badly; and by what fraud schemes.

But despite the clear need, existing fraud data may provide only rough guidance instead of laser-precise analytics. A wide variety of fraud fighters compile data: insurers, state fraud bureaus, police and other law enforcement. But there are few common standards governing the kind, quality and format of fraud data. Fraud fighters also have different computer systems, and varied abilities to mine and analyze what data they do have. Nor do the systems necessarily talk to each other.

This could hamper the campaign's ability to create useful composite pictures of fraud trends. A related challenge is whether the needed data can be easily gathered from scratch if they don't exist. Would this require expensive upgrades so databases can accept and analyze new data categories?

Gathering new data could even require street-level adjustments as detailed as redesigning accident reports police fill out at the scene. This could involve a thicket of other tricky issues such as convincing local officials to agree to such changes.

Still, any data will have some use, so data collection should be a campaign priority. Campaign organizers will have to decide what limits they can live with. In any event, insurance programs at colleges and universities might help provide funding, compilation and analysis of the research.

Developing Anti-Fraud Messages

Applying science is especially important for developing anti-fraud messages. This need is reinforced by research that challenges the messages that most fraud fighters routinely use today. Anti-fraud outreach efforts generally invoke variations of two messages:

- **Insurance fraud costs you money** (main audience: honest consumers); and
- **You'll get caught and go to jail** (main audience: would-be fraud artists).

But there's little, if any, research to credibly prove these messages work. They're based largely on tradition, street experience and gut instinct. In fact, many would-be swindlers aren't deterred by threats of jail time, the Pennsylvania Insurance Fraud Prevention Authority (IFPA) found in statewide pre-campaign research it commissioned in 2002 (see *Appendix 5*).

Instead, these would-be swindlers worry most that being convicted will embarrass them in front of their families and hurt their kids. Being exposed as unfit parents, poor role models and bad providers thus can be a stronger fraud deterrent, IFPA finds.

Many of IFPA's television commercials, billboards and public service announcements now focus more on damaged parent-child relationships, and less on hard time in jail cells. The ads feature sad-eyed kids who are hurt, angry and confused when a parent is arrested for insurance fraud (see *Appendix 6*).

Whether the findings apply outside of Pennsylvania is an open question. But the research does trigger alarm bells: If it's unclear that the "go-to-jail" message works, how do fraud fighters know if the "fraud-costs-you-money" message works either?



Motivating People to Fight Back

Research will help validate the campaign's important calls to action: How to motivate consumers to report suspected fraud; watch for the warning signals of fraud; or resist shady sales pitches.

The findings will show what people think are the sources of information they use and trust the most, and the preferred methods of delivering this information, such as television, radio, newspapers, Internet and podcasts.

Are members of ethnic groups motivated through their language-specific media? National special interest groups? Their local leaders and community-based organizations? How well do people respond to anti-fraud pitches by convicted swindlers, fraud victims, celebrities, and animated action figures in videogames?

Measuring Results

A related research challenge is how to accurately measure campaign results. Performance metrics can range from tracking increases or decreases in targeted frauds, to more-indirect benchmarks such as calls to fraud hotlines or changes in public attitudes. Among the potential metrics (random order):

- Reductions in targeted fraud (frequency and/or severity);
- Case referrals to fraud bureaus for investigation;

- Referrals to attorneys general for prosecution;
- Arrests;
- Convictions;



- Sentences;
- Court-ordered restitution;
- Lower public tolerance of fraud;
- How likely people say they are to commit fraud;
- How likely people say they are to report others;
- Consumer recall of paid and public-service ads;
- Calls to fraud hotlines;

- Amount and quality of news coverage;
- Orders for brochures, videos or other products;
- Website traffic;
- Reduced volume and/or average size of claims; and
- Lower insurance premiums.

Metrics: Moving the Needle?

The campaign's holy grail is to move the fraud needle: Measurably reduce insurance fraud. But it's not always possible to credibly measure changes in insurance fraud, given the inadequacies of most fraud data needed to benchmark changes. Altering entrenched behaviors and attitudes also takes time; the fraud needle often moves slowly.

More likely, indirect metrics such as website traffic, positive news coverage or fraud referrals will be the best measures of success, at least initially. Whether such indirect success measures will remain acceptable as time passes is an open question. Will the campaign need to show a clear impact on fraud itself in order to stay credible?

The key is to set realistic expectations. Public outreach is a powerful agent of change, but isn't a silver bullet. Many factors affect fraud levels, such as tough fraud laws, aggressive law enforcement and committed prosecutors. Those supportive factors should be present in any locale where the campaign operates. Public outreach, alone, is unlikely to change the fraud tide.

Thus, campaign leaders must carefully manage expectations. Public outreach must be recognized as an effective change agent. But it shouldn't get full credit for any improvement in the fraud environment, or full blame for continued problems. Campaign metrics thus must be *challenging and accurate*, but also realistically reflect *what's measurable—and achievable*.

STAKEHOLDERS

Because insurance fraud echoes throughout U.S. society, the campaign could easily involve many stakeholders. Numerous organizations that speak for them could take part. Some speak for America's fraud fighters, and others for potential fraud victims.

The campaign will be more effective if it includes a viable cross section of stakeholders. This will attract more credibility, expertise and resources, plus a better balance of voices in planning. Many stakeholders also will offer direct access to their constituents, who often are the very people the campaign is working to empower. Among the many stakeholders who could play decisionmaking or advisory roles:

Insurers. Insurers are closest to the fraud problems, and have much at stake. Thus they should have a significant voice in campaign decisionmaking.

National anti-fraud groups. Influential national groups can lend expertise, resources and credibility to the campaign. Thus, they should play an active role in governing and advising the effort. The leaders include (in alpha order): Coalition Against Insurance Fraud, International Association of Insurance Fraud Agencies, International Association of Special Investigation Units (IASIU), National Health Care Anti-Fraud Association, and the National Insurance Crime Bureau (NICB). Key non-fraud groups such as the American Insurance Association, Insurance Information Institute and Insurance Services Office also might take part.

State and local groups. Since insurance is primarily state-regulated, a variety of state-level public agencies play central roles in combating fraud. These include fraud bureaus, insurance departments, attorneys general and others. IASIU chapters and the regional offices of insurers and NICB also could play roles in local initiatives.

Federal agencies. Federal agencies such as the FBI, Justice Department and U.S. Postal Inspection Service are heavily involved in combating fraud. They might welcome some level of involvement in a national campaign. Their state and regional offices also might play roles.

Public-interest groups. Respected public-interest groups that speak for consumers generally, ethnic groups, seniors, small businesses and others with a stake in the fraud fight could serve in some capacity.

Other anti-fraud groups. Much fraud fighting is spearheaded by multi-agency taskforces, partnerships and other alliances. Many of these are state and even local. Massachusetts, for example, has taskforces fighting staged-accident rings in key cities around the state. These alliances can be essential campaign partners.

Vendors. Hundreds of vendors serve the anti-fraud community, and could play valuable roles to support the campaign.

Localize the Campaign

Fraud and fraud fighting, like politics, tend to be local. The "national" campaign will need to continually adapt to the local environments wherever it operates. The same fraud crime, for example, may have many local variants that require shifts in messages or tactics.



Partnerships. Campaign leaders will need to form close partnerships with fraud fighters and other stakeholders in each locale. These potential allies know their fraud trends intimately. They can offer strategic guidance, help execute the campaign locally, and connect leaders with essential allies around the region. Some would be the leading anti-fraud groups, and some might be credible public-interest groups that speak for seniors, ethnic populations and other core stakeholders.

Programs. The campaign's planned programs may work well in many locales, but may need adapting to many local conditions. For example, it may have to fit with diverse law-enforcement and public-outreach efforts already underway in some jurisdictions. People and their cultures also vary from region to region. Campaign messages and tactics thus may need adjusting.

Seek Common Ground

With so many diverse stakeholders, it will be difficult for the campaign to meet everyone's anti-fraud goals 100 percent. Auto insurers, for example, might want to combat staged accidents or auto arsons. Commercial insurers would seek to reduce workers compensation fraud, and scams by slip-and-fall artists. Some state insurance departments may want to warn the public about fake insurance companies. Some consumer groups may want to crack down on dishonest agents, or protect Hispanic consumers.



All of these goals are legitimate and worthy. Stakeholders will need to find room for compromise if the entire effort is to succeed. This is the unifying principle of *enlightened self-interest*. Each stakeholder achieves more prosperity by vigorously supporting the campaign's shared goals than by struggling alone, or demanding too much from the others. They find a common ground that meets enough of all stakeholders' core needs. Over time, success for one campaign target reinforces efforts for all others. The rising tide eventually lifts all boats, and everyone shares in the resulting prosperity.

CAMPAIGN MANAGEMENT

Lines of Leadership

All lines. The campaign could cast a wide net, combating major schemes across the major lines of insurance: property-casualty, life, health and disability. Being totally inclusive might attract more funding, clout and other resources than a narrower effort. But given the vast scope of insurance fraud, total inclusivity could be so ambitious that it becomes unmanageable and requires too much funding to succeed.

Separate lines. Fraud fighters in each line could launch their own separate campaigns, but coordinate in areas such as:

- **Joint research.** Studying people's fraud-related attitudes, motivations and behavior jointly might help in developing campaign messages that benefit all lines; and

- **Overlapping schemes.** Some swindles cross over multiple lines. All three lines could join forces, for instance, against the small percentage of agents who are dishonest. Agents bilk clients in auto, business, life insurance and health. Seniors are targeted by many diverse schemes in all three lines. Sale of fake health coverage to small businesses also invites a natural alliance between the property-casualty and health industries.

Fraud offers numerous campaign options even within a given property-casualty line. In auto insurance, for example, the campaign could combat staged accidents, auto arsons for insurance money, lying about a vehicle's location to fraudulently lower premiums, and a variety of other costly auto schemes. The effort could easily focus on one or several auto schemes.



Management Models

Creating a workable outreach agenda and setting clear lines of authority are two of the biggest initial priorities. Among the broad management models:

Steering group. Form a steering group or council of diverse groups to oversee the effort. There are many ways to structure steering groups using combinations of voting and advisory bodies.

Single chair. Authorize an existing anti-fraud group with broad credibility to manage the campaign. Allied campaign members could provide financial and logistical support. They also would play formal and informal advisory roles.

New organization. Create an entirely new organization whose sole purpose is to manage the campaign. It would be separately incorporated as a nonprofit organization.

Related issues. Organizers must address a host of tactical issues to help shape the governing structure and efficiently run the outreach campaign. Among the issues:

- Selecting a governing council and determining its size;
- Determining the decisionmaking authority of the governing council versus advisory status of other stakeholders;
- Creating an executive committee to make most strategic decisions, supported by a larger board to provide overall governance;
- Determining which disciplines should be represented on the governing council (e.g., communications, claims and finance);
- Deciding whether a fulltime staff should coordinate the effort; and
- The extent to which outside consultants such as public relations, advertising, marketing and research firms should be employed.

Next Steps

Decide broad feasibility. A relatively small and informal steering group of anti-fraud leaders should address the campaign's startup issues. The first question is whether the effort is feasible. If the answer is yes, then serious planning would begin. This would include steps such as setting up the management structure, securing seed funding, conduct pre-campaign research, and launching a pilot program.

If not feasible. If the full national campaign isn't feasible, the steering group should remain active and consider other promising approaches (see *Innovating*, below). Fraud fighters can still raise public outreach to new levels in many other ways.

INNOVATING BEYOND THE CAMPAIGN

The campaign council could shift strategies and become a hub of research and development if the national effort proves unfeasible. This group would serve as a vibrant laboratory of research and innovation, continually energizing anti-fraud outreach efforts for years to come. It would place the brightest thinking and best outreach tools at the fingertips of the fraud-fighting community, regardless of budget. This would add precision, focus, creativity and impact to existing public-awareness programs.



Share National Research

One core project: Conduct practical research to benefit all anti-fraud public outreach efforts. The results would be widely shared, free of charge, as a service to the anti-fraud community. This would usher in a new era of data-based outreach that places true science within reach of all communicators. The research would spin off from studies planned for the national campaign:

- What motivates and deters fraud criminals (hard and soft);
- What messages different consumer segments do and don't respond to;
- What media work best for reaching various consumer segments; and
- What ethnic issues affect anti-fraud outreach efforts.

Findings would be shared through a national fraud summit, seminars around the U.S., webcasts, articles, white papers and other vehicles. Periodic updates would keep the findings valid and continually updated.

Develop Strategy Papers

The council could produce white papers on key outreach topics and their practical uses for anti-fraud communicators. This would create a permanent and continually updated reference library. Among the many possible topics are new outreach technology, demographic trends, and consumer attitudes toward fraud.

Create Outreach Tools

High development costs limit the widespread use of many effective outreach tools. The governing council could develop state-of-the-art tools, then share them free of charge or license them for affordable fees. Among the potential tools:

- Interactive website features such as consumer anti-fraud games;
- Public service announcements;
- Webcasting and other tech-focused outreach programs;
- TV, radio and print ads; and
- Manuals of practical campaign ideas.

Much of this material could be localized with a sponsoring group's name, logo, response device and other information. The council even could negotiate the services of public relations, advertising, marketing and web development firms to help fraud fighters expand their efforts. The services would be discounted in exchange for the expected volume business.

CONCLUSION

Fraud fighters make their greatest progress when they join forces, applying focused and relentless pressure on a fraud problem. Staged-accident rings, for example, start losing ground when taskforces impose their will. Fraud fighters are exploring the same act of will in public outreach. Jointly branding insurance fraud as a national scourge is an ambitious vision. It's fraught with high risk and high barriers—but also great upside potential to help reduce the tens of billions of dollars America loses to these swindles each year.

Insurance fraud is so vast that even relatively modest changes in behavior and attitudes could yield enormous aggregate benefits that justify the investment. The power of a united anti-fraud community is much greater than its separate parts. Fraud fighters will test that same potential for public outreach.

ENDNOTES

1—Coalition Against Insurance Fraud; *A Statistical Study of State Insurance Fraud Bureaus*, December 2006.

2—Accenture; Survey of Insurance Fraud, 2003; Insurance Research Council, *Insurance Fraud: A Public View*, 2003.

3—Progressive Insurance; *Telephone Survey*, 2001.

4—Ibid.

5—Insurance Research Council and Insurance Services Office; *Fighting Insurance Fraud*, 2002.

6—Matthew K. Wynia; Deborah S. Cummins; Jonathan B. VanGeest; Ira B. Wilson; *Physician Manipulation of Reimbursement Rules for Patients: Between a Rock and a Hard Place* (Journal of the American Medical Association, April 2000).

7—National Center for Injury Prevention and Control.

8—Coalition Against Insurance Fraud; *Four Faces: Why Some Americans Do—and Don't—Tolerate Insurance Fraud*, October 1997.

APPENDICES

Appendix 1

Summit on Public Awareness of Insurance Fraud

Co-Sponsored by
Coalition Against Insurance Fraud &
Chief Claims Officer Roundtable

September 19, 2005 • Washington, D.C.

— Attendees —

Navdeep Arora

McKinsey & Company

Dr. Johannes Brinkman

Norwegian School of Management

John Burton

University of Utah

Barry Carbaugh

The Barry Group

J. Joseph Cohen

Department of Insurance, Securities & Banking
District of Columbia

Walter Dartland

Consumer Fraud Watch

Howard Goldbatt

Coalition Against Insurance Fraud

Bryan E. Hanson

Allstate Insurance

Alan Haskins

National Association of Insurance Commissioners

Jim Henderson

The Hartford

Calvin Hudson

The Hartford

Dennis Jay

Coalition Against Insurance Fraud

William C. Lesch

University of North Dakota

Everett Miles

McKinsey & Company

Roy A. Miller

Insurance Fraud Prevention Authority

Sam Miller

Florida Insurance Education Council

Steve Neiman

The Neiman Group

John P. O'Leary

Liberty Mutual Group

Dennis A. Pompa

Texas Department of Insurance

James Quiggle

Coalition Against Insurance Fraud

W. Roger Rector

Virginia State Police

Tim Reeves

The Neiman Group

David J. Rioux, CIFI

Erie Insurance

Donald J. Rounds

The Consumer Alliance

John Sargent

MetLife Auto & Home

Frank Scafidi

National Insurance Crime Bureau

Gail Sciacchetano

National Association of Insurance Commissioners

Alex Singla

McKinsey & Company

Bob Smith

MetLife Auto & Home

Frank Sztuk

Allmerica Financial

Dennis Toomey

Liberty Mutual Group

Appendix 2



New York Alliance AGAINST INSURANCE FRAUD

The New York Alliance Against Insurance Fraud (NYAAIF) was founded in 1999 to assist insurers in complying with New York State Regulation 95, which requires insurance companies to sponsor public awareness programs on insurance fraud. A consistent and hard-hitting message to consumers has proven to be an effective and efficient method for increasing awareness about fraud, reducing the public's tolerance for this crime and encouraging citizens to report fraud. Operating under the NYAAIF umbrella allows insurers to enhance outreach to consumers by pooling resources and delivering a unified industry message.

NYAAIF sought to affect a radical shift in perceptions and behaviors related to insurance fraud. To this end, NYAAIF has taken a leadership position in the fight against insurance fraud working in partnership with Barry Group, Inc., a strategic marketing communications firm.

**Fraud,
the Crime
You Pay for**

Starting in 2002, Barry Group built a program for NYAAIF using the proven model of success it developed for Pennsylvania's anti-fraud campaign based on the theme:

Fraud: The Crime You Pay For. The approach included the development and utilization of several public awareness tactics including the following:

- o Establishing benchmarks on awareness and attitudes with an in-depth quantitative study. The Buffalo, NY- area was used as a test market.
- o Creating a team-developed television, radio and outdoor advertising campaign that tailored a research-based, anti-fraud message to the New York audience.
- o Several campaigns have been developed including those focused on medical fraud and the human cost of insurance fraud as illustrated by a Queens, NY grandmother who lost her life due to a staged accident and an upstate NY firefighter who was permanently injured fighting an arson fire.



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- o Placing the campaigns in four markets statewide and successfully negotiating media rates in the target markets of New York City, Buffalo, Albany and Rochester.
 - o The media buys have consistently derived exceptional value for NYAAIF. Radio campaigns in all markets had *reach* exceeding 70 percent of the targeted market and *frequency* above 6.9. Cable buys achieved *reach* in the 75-95 percent range of the targeted audience and *frequency* in the 4.6-5.9 range.



- o Leveraging paid media with an ongoing aggressive earned media, public relations campaign.
- o Barry Group developed a media relations program including writing and distributing op/eds on behalf of key figures within NYAAIF, researching and writing press releases on various insurance fraud issues and conducting successful media tours. As a result of a recent media tour, more than 2.5 million New Yorkers were exposed to the anti-fraud message generating an earned media value of nearly \$121,000.
- o Developing the NY Fraud Fighters database comprised of fraud special investigators and others in the position to supply qualitative and quantitative information on insurance fraud and to encourage proactive communication and information sharing between insurance fraud professionals.
- o Proclaiming Insurance Fraud Prevention Day in NYC. Barry Group contacted NYC Mayor Michael Bloomberg and got his agreement to make the proclamation for late 2006.
- o Enhancing resources through the redevelopment of the NYAAIF website to serve as a resource for New York insurance and law enforcement personnel as well as consumers and media. The updated site will include an interactive insurance fraud quiz as well as up to date news, useful links, fraud behaviors and more.



Through the use of these innovative tactics as well as others NYAAIF's message has reached millions of New Yorkers.



Appendix 3

VIRGINIA STATE POLICE **INSURANCE FRAUD PROGRAM (IFP)**

Keep a Sharp Eye on the Reward Program

Raising public awareness of insurance fraud and promoting the toll-free hotline and Web site as well as the Sharp Eye Reward Program is the backbone of the Insurance Fraud Program's public relations and advertising campaigns. In 2005, the IFP's public awareness efforts continued in the direction of the "Sharp Eye" Reward Program.

The IFP continued to use the "Sharp Eye" television commercials, which featured the signature blinking eye and promoted the \$25,000 reward program. The television commercials ran statewide from February through May and September through November.

As a complement to the television advertising, a "Sharp Eye" billboard campaign promoted the insurance fraud reward program in the Richmond, Roanoke and Tidewater markets.

The traditional elements of the IFP's STAMP OUT FRAUD campaign continue to be used and gain recognition from the public. These include:

Stamp Out Fraud Logo

Associated with the IFP and its mission, this logo is applied to all promotional materials including brochures, displays, the Web site and news release letterhead.

1-877-62FRAUD (1-877-623-7283)

In 2005, more than 399 citizens, insurance investigators/personnel and law enforcement officers called the IFP toll-free hotline. This represents more than a 9 percent increase over 2004.

www.StampOutFraud.com

Suspected insurance fraud can also be reported online at the IFP Web site, or the notification form can be downloaded and mailed or faxed to the VSP. More than 850 notifications were received from the Web site in 2005, which is a more than 40 percent increase over the previous year.

Again, the IFP received more notifications of suspected fraud via the Internet than through the toll-free telephone hotline. The Web site also provides an overview of insurance fraud and its implications and is updated regularly with case histories. Law enforcement and insurance professionals can order IFP brochures, posters and law enforcement guides online.

The Web address is included on all of IFP's promotional and media-related materials.

-more-

Brochures

Brochures continue to be distributed to law enforcement, the insurance industry and Virginia citizens. The Stamp Out Fraud brochure provides a comprehensive overview of insurance fraud and the IFP in addition to information about the Sharp Eye Reward Program.

IFP Newsletter

IFP continues to produce its newsletter, "Fraud Facts," twice a year. The publication features IFP-related issues, case histories and other information of interest to Virginia insurance investigators.

Insurance Fraud Awareness Week

Governor Mark R. Warner again issued a proclamation declaring May 8-14, 2005, as Insurance Fraud Awareness Week. The proclamation was presented to Captain Robert Tavenner during the Virginia Chapter of the International Association of Special Investigation Units (VAIASIU) annual training seminar. The event was also supported with statewide media releases.

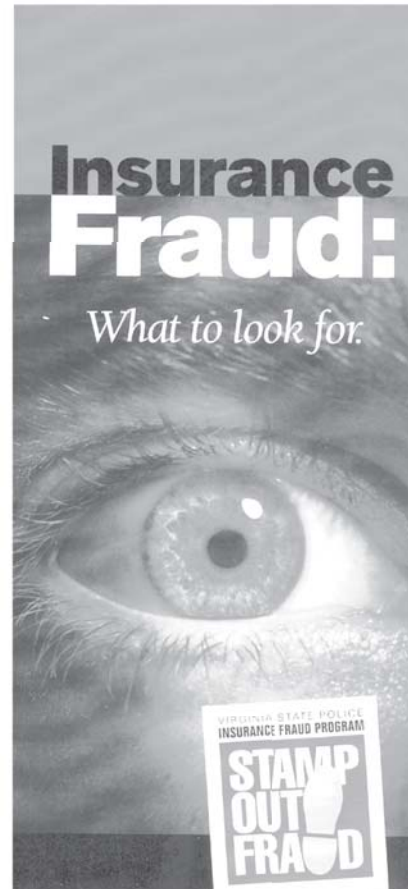
News Coverage

During 2005 the IFP distributed 19 news releases to in-state media as well as trade media. Topics included Insurance Fraud Awareness Week, the new Fraud Fighters Award, insurance fraud cases and disaster fraud related to the 2005 hurricane season.

Exhibits

IFP had the opportunity to promote insurance fraud awareness and the reward program at several public venues. These included the State Fair of Virginia with an attendance of more than 200,000, the Virginia Farm Bureau Annual Meeting where approximately 1,000 attendees received anti-fraud information, Ducks Unlimited, several insurance companies' employee Fraud Awareness Days and Virginia State Police Public Safety Day at Culpepper Division Headquarters.

Appendix 4



Appendix 5

Pennsylvania Insurance Fraud Prevention Authority Polk-Lepson Research Study

Insurance Fraud has Emotional Costs for Families

Insurance fraud is not a highly visible crime. Yet, it costs Americans billions of dollars every year – the average family pays hundreds of dollars each year in higher premiums as a result. While many people view it as a white-collar crime, insurance fraud really comes in many shapes and sizes. In one instance, insurance fraud might involve career criminals staging an auto accident. In another, it could be a doctor overbilling an insurer. Or maybe it's the guy next door providing false information to get cheaper rates. Whatever form it takes, insurance fraud is a widespread problem that costs YOU money.

Since 1994, the Insurance Fraud Prevention Authority (IFPA) has waged a battle against fraud in an effort to eradicate the problem, investing millions to beef up enforcement and millions more to support public education – all without spending one dime of taxpayer money. In order to create the most targeted message to efficiently (and effectively) change attitudes – and ultimately stomp-out insurance fraud – the IFPA, working in conjunction with Polk-Lepson Research Group, and Neiman Group, conducted a survey late last year, followed by a series of extended focus groups in May and June to probe what motivates, and what deters insurance fraud.

The survey found that 58 percent of Pennsylvanians, roughly 5.4 million people, feel it would be strongly appropriate for someone to commit some form of insurance fraud under certain circumstances. Yet, when asked what should happen to people who commit fraud, 72.4 percent said consumers should be prosecuted for lying and purposely falsifying information.

Why Do People Commit Insurance Fraud?

A series of four focus group sessions was held in Philadelphia and Pittsburgh with people who fit the profile of either the Monetary Necessity or Social Victim. In addition to observing their behavior patterns, the study was designed to identify the most appropriate messages to reach the two audiences, and the most effective/efficient methods for delivering the message to effectively modify – or completely change – their behavior.

Based upon information collected in the focus groups, is the assertion that “Monetary Necessities” believe they just don't make enough money to pay insurance expenses. Typically, this is a low-income group of people who have a difficult time making ends meet. They see food, rent, and creature comforts as necessary expenses. Insurance costs are seen as unnecessary, backbreaking expenses, which can plunge them into financial hardship. Ninety-one percent of this group feels insurance companies make too much money at the consumer's expense. They justify falsifying claims, or otherwise avoiding insurance expenses with “If it comes to taking care of my kids, or paying insurance expenses, I'm going to take care of my kids.” Insurance is a low priority, and it doesn't take much for them to think of other expenses to take precedence.

They also tend to limit their key influences, or sources of information and advice, to family members and close friends. Typically, they do not identify with anyone they would consider a “hero,” and, because they identify so closely with people similar to them in personality, they aren’t particularly worried about how friends or coworkers would react to them if they were convicted of insurance fraud.

The focus groups also indicated that the “Social Victims” believe that:

- the system is keeping them down, leaving them no choices in life; they are powerless to work within the system, and so they spend time and energy figuring ways to get around the system;
- society favors some people and is biased against others – that not everyone has an equal opportunity to be successful within society – and that they are among those not favored by society;
- this social bias against them is predetermined, and can’t be changed; and
- the only way they can survive and be happy and somewhat successful in society is to find a way around the rules of society – because the rules/confines of society are what keep them from being successful and happy, society couldn’t have possibly been created with them in mind, and therefore, can’t reasonably apply to them.

The beliefs of “Social Victims” relate to Insurance Fraud in that insurance is a societal system, designed to protect people within a society. It is a cost that those included in society must pay in order to be protected by society. Because “Social Victims” believe they aren’t protected or benefiting by society’s systems, they should not have to pay for them. 73.9 percent believe that insurance companies make too much money. If they can find a way to cut or completely avoid insurance costs, they will, and believe they are justified in doing so.

Key influences for this group include older, wiser individuals, family and religious leaders. Like the first group, social victims feel that, if they were convicted of insurance fraud, their friends and co-workers would be understanding.

Further, the research indicates that both groups feel alone in their situations. They believe that, for whatever reasons (financial or societal) they are forced to survive “by any means necessary” and if that means cutting corners on insurance expenses, or falsifying insurance claims, then so be it. While diverse in race, age, and sex, they typically have families/children that depend upon them, and other financially pressing responsibilities, and can think of a million reasons why those responsibilities are more important than honestly handling their insurance claims.

What Messages Were the Most Effective?

The research indicates that both groups react most strongly to the fear of harming their relationships with their children.

They initially considered insurance fraud to be something they would do alone; however, once they made the connection between their actions, and the harmful, humiliating effects those actions would have on their families – their children especially – they stopped in their tracks. Their relationships with their

children are of key importance to them, and they don't believe that putting that relationship at risk is worth the potential financial benefits.

How Does Insurance Fraud Affect Families?

How could committing insurance fraud possibly affect their relationships with their children? Insurance fraud can lead to jail time. Psychologically, jail time meant letting their family down. They believed they would lose the respect of their kids, and their spouse/family. Their children would resent them for being exposed to the humiliation resulting from having a parent in jail. Not only that, but they believed that they would be setting a bad example for their kids. The effects of going to jail are painful, long lasting, and affect you in the most personal, and precious of areas – your family.

Perpetrators who are caught but not convicted, will still be arrested, charged, booked, jailed, and tried. Even if they're found innocent, the personal effects would be serious, leading to a loss of bond with their family – particularly their kids, who will no longer be able to see them as honest and respectable. Having a loved-one exposed for insurance fraud is a humiliating experience to deal with – especially for children. They felt that loving and taking care of their family made them responsible for not putting them in the position of being embarrassed and humiliated.

The embarrassment a criminal conviction might bring upon their children and how that would affect the parent-child relationship would most greatly influence both groups as to whether or not they would commit fraud.

Financially, jail meant losing a job, or at least losing out on money that would have been earned working during the time spent in jail. If taking care of their financial responsibilities – their children included – is a priority, then the money they could save being dishonest with regard to insurance suddenly wasn't worth the potential downside. Going to jail can financially devastate a family.

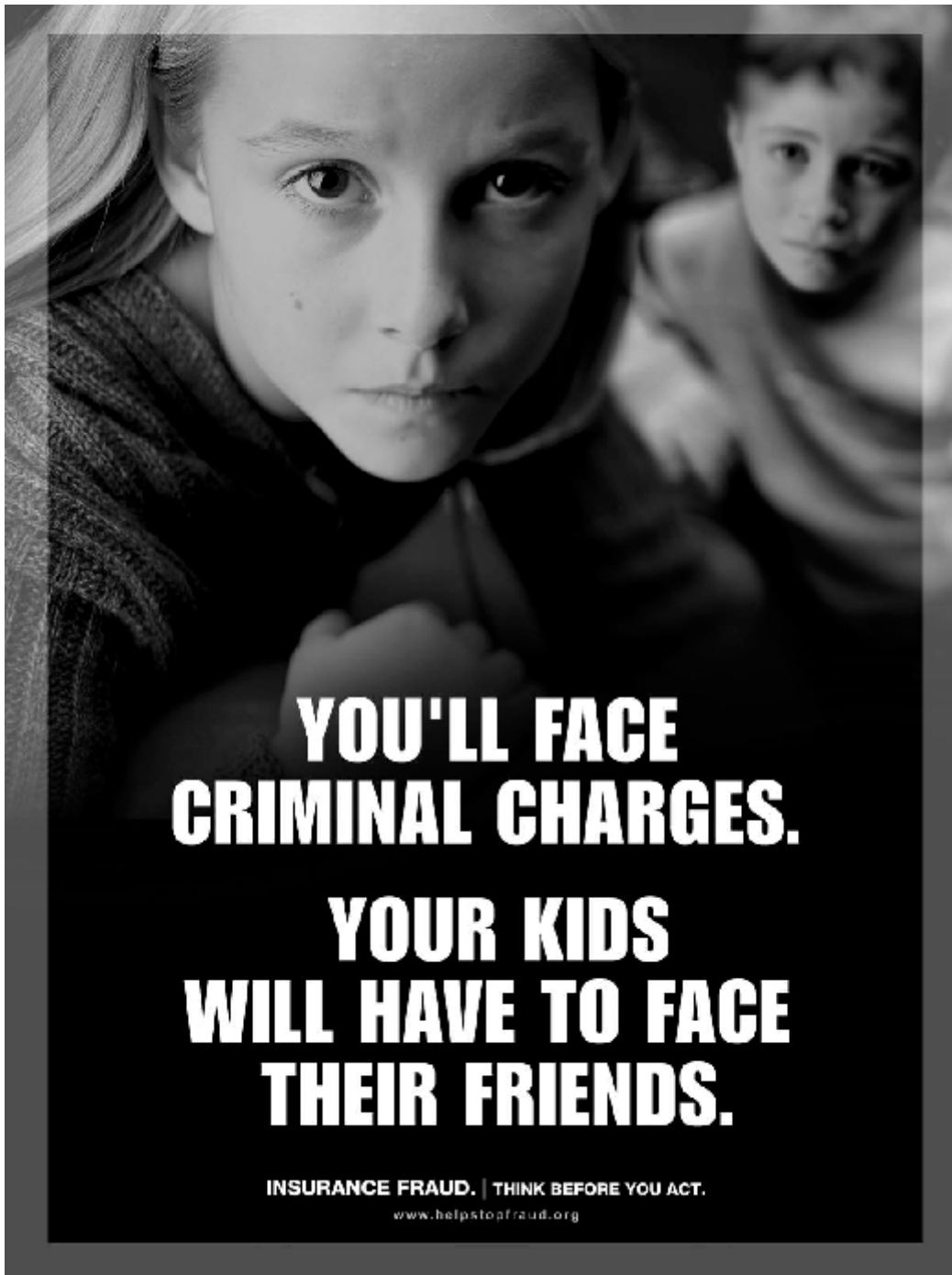
In this capacity, both justifier groups regard the threat of going to jail as a strong deterrent. Social victims, in particular, believe that being caught committing insurance fraud will result in being found guilty, going to jail, or paying a substantial fine, the researchers said. Monetary necessity justifiers believe insurance companies, sooner or later, will become more aggressive in "making examples of people."

Polk-Lepson concluded that a combination of two messages would prove powerful: fear of harming one's relationship with their children and going to jail. "Participants universally agree," their report indicated, "that, in order to act as a deterrent to committing insurance fraud, the message must be dramatic...a softer subtle approach would not be effective."

Based upon the results of the research focus groups, The IFPA and Neiman Group have proceeded with the planning and development of an integrated advertising and public relations campaign, focusing on the core message "If you commit insurance fraud, you – and your children – had better be ready to face the consequences."

The campaign is currently slated to run fall 2002 through 2003, and is designed to emotionally plea to perpetrators, and prospective perpetrators that insurance fraud will negatively affect their relationships with their children.

Appendix 6



Appendix 7

Acknowledgements

Reviewers

The coalition extends its appreciation to these reviewers, whose comments and insights contributed to the white paper's content.

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Appendix 8

REVIEWER COMMENTS

Several reviewers suggested specific action ideas and general observations that may not fit into the white paper format, but are still important to capture for the record.

- Create a national fraud hotline managed by fulltime staff.
- Create a national advocacy organization of insurance-fraud victims similar to MADD or SADD.
- Develop a best-practices manual summarizing outreach strategies and tactics.
- Learn the psychology of swindlers and victims. Have psychologists help develop research models to understand the motivators and demotivators of fraudsters. Also understand how to best educate consumers avoid becoming victims.
- Create a model training program for prosecutors. Develop in formats suitable for seminars plus video and online learning. Make it eligible for CE credits.
- Push to have convicted fraudsters speak to consumers and investigators about their crimes as part of their sentences. Make public speaking a common part of fraud sentencing.
- The greatest challenge to effective fraud fighting is the lack of effective/consistent prosecution. In Florida, it really is like drawing straws. We just had two men get 25 years for defrauding a handful of people, but [an insurance agent] got a pittance for robbing hundreds of seniors. It is senseless, and makes it difficult to say with a straight face: “Do the crime, do the time.” And when it comes to our most widespread fraud (in Florida), PIP fraud, sentences are pathetic. Too often it is pre-trial intervention, if the charge even sticks.
- The IFPA ads about family embarrassment are probably very good, and somewhat effective, but probably only shortterm. But if you could tell stories about people going to jail, that would be a huge message.
- In some ways it’s almost as if it is the system itself that hardens criminals. They lose their license, say, for a year after a PIP fraud conviction, so they use a fake insurance license and insurance card. If they lose or can’t afford workers compensation insurance, they create fake insurance certificates. If they were to lose their ability to get homeowner insurance, who knows where that might lead?

- While I agree any campaign would have to rely on funding from insurance companies, I believe they often inflate the problem—which according to this document, could worsen the problem (create more conformists). I have spoken with many people who are convinced insurance companies exaggerate the problem in order to augment requests for higher rates. I would like to think the regulatory process would detect such exaggeration, but I do not know. And of course the lack of scientific study/evidence aggravates the public perception, and yet we have insurers (non-standard auto primarily) who very publicly state that as much as 95 percent of the claims they receive are fraudulent. However, that never matched with the numbers of referrals to the fraud department, that is until there was a law that gave them more time (and thus ways) to delay payment on a claim if there was a fraud referral. We now have companies calling simply to ask for a fraud referral number, ostensibly to delay or avoid payment.
- I think it would be extremely worthwhile as part of any campaign to diligently monitor state laws and the effects (intended or otherwise) of those laws. Without effective and consistent laws, I think public education campaigns will not reach their full potential.
- Another thought—reward programs. Ours [Florida] is written into law, so change would be slow, but the way it is written there are very few awards. There could be real pitfalls I am not seeing—but I think it would be more effective to give out more and smaller awards, maybe for information that leads to the opening of an investigation, than the few we are able to give out for information directly leading to an arrest and conviction. We tout up to \$25,000 for information, etc., but no one has ever gotten that amount. But people talking about getting \$50... I don't know. That could also be an enforcement nightmare.

