

# Insurance fraud

## What 'they' get away with ends up costing you a bundle

This analysis by staff reporter Tom Henderson is the result of many hours spent pouring over police reports and discussions with law enforcement officials, insurance company representatives and fraud investigators.

**T**he report stunk like a dead fish on a hot beach.

The West Bloomfield couple claimed that their car was broken into and a bag containing \$3,000 in cash was stolen. Yet, the investigating police officer noted in his report, there wasn't any broken glass at the site of the alleged crime.

A suspicious detective reading the report made a follow-up call to the couple to schedule an interview. The couple became miffed when they found out their insurance didn't cover the loss. Never mind, they said.

"IT WAS one of those funny ones," West Bloomfield Police Sgt. Mike Madigan said.

Another of those funny ones occurred in Birmingham. Police Lt. Jack Kalbfleisch got a call from a nearby police department asking if he could help investigate a suspicious theft report. A place of jewelry worth "thousands," according to Kalbfleisch, was missing.

Kalbfleisch started making the rounds of Birmingham jewelers and soon came across the item. "What do you know? The party that sold it was the party that reported the theft," Kalbfleisch said.

The insurance company, AAA, was notified and the claim denied. The other police department continues its investigation.

THESE ARE two exceptions to a sad rule: Insurance fraud is too successful. Insurance companies, fraud investigators and local police all admit that insurance fraud is common and among the most difficult of crimes to prove. For the unscrupulous, an insurance contract is a license to steal.

Wendell Harnes, director of the Insurance Crime Prevention Institute, an investigative organization financed by more than 400 insurance companies nationwide, estimates that 25 percent of the \$150 billion in claims paid each year is obtained fraudulently.

Some of that is organized crime — doctors and lawyers linked in elaborate schemes involving phony hip-and-falls, for example. But much of it is by usually honest people who pad a legitimate

theft report to cover the deductible or report a car stolen rather than admit they drove into a tree while drunk. A few might decide to burn down a house rather than sell it for a loss in tough times.

The Automobile Association of Michigan opened its own fraud unit 11 months ago to investigate suspicious reports of auto theft. So far, its five full-time investigators have investigated 1,200 cases. In 300 of them, AAA eventually was able to deny payment, saving more than \$1 million.

THE NATIONAL Auto Theft Bureau, a national clearing house and investigative unit operated by 600 member insurance companies, estimates that, nationwide, 15 percent of all auto theft claims are phony.

Conrad Golemba, head of AAA's fraud unit, said that 25 percent of reported car thefts in Detroit are phony, and in Oakland County, 15 percent.

Since there were 8,150 car thefts in Oakland County in 1984 according to state police, a minimum of 1,200 phony reports were turned in. Kalbfleisch thinks fraud is even more prevalent.

"Twenty-five percent wouldn't surprise me," he said. "How many people cheat on their income tax? Would you say 25 percent is conservative? That's how I feel about car theft. Yet, we don't know. It's just a gut feeling."

GUT FEELINGS and a lack of statistics characterize insurance fraud. An aide to Oakland County Prosecutor Lt. Brooks Patterson said his office didn't have much on insurance fraud and that inquiries should be directed to the Michigan State Police.

The state police keep no statistics on insurance fraud. They list fraud, in general, and recorded 3,394 cases in Oakland County in 1984. Yet, local police and insurance investigators acknowledge the figures are much higher.

Police investigating break-ins and thefts routinely accept padded and false reports. They can often spot it, and they don't like it, but they can't prove it. The same applies to arson investigations involving insurance.

"WE WERE investigating a fire near Commerce and Miller," said Madigan. "We knew it was arson. We could tell it was set, and we had an idea who was responsible, but we couldn't prove it."

"We worked with the insurance com-

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pany, and it turned out the individual (who filed the claim) had a history of fires. He had three or four fires in his cars and one in another house. . . . "He's been the insurance carrier, I'd have said, 'Hey, pal, we're not paying off. Sue us for it.'"

SOME TYPES OF car- and home-theft reports stand out as phony — where the car is found soon after a report is filed and close to home, and where there is a long list of missing items, Madigan said.

"They (burglars) take the jewelry, which you'd expect, and the money, which you'd expect."

"But suits and ties? Nobody steals that stuff. I mean, maybe a leather coat, but 30 pairs of Jockey shorts?" But, you can't do much about it unless you get lucky, Madigan said. "You catch the thief, and you got him cold. You got prints, maybe, and he says, 'OK, I'll admit to the jewelry, but I talking about'."

Says Gary Conat of the Southfield police: "The only way to solve it is to catch the burglar. He'll say, 'Man, you got me on the break-in. I did the jewelry and the milk stole, but I was riding a 10-speed that night. How am I gonna balance a microwave and a TV on a bike?'"

OF THE 15,160 burglaries in Oakland County in 1984, how many were complete phonies? Of the 1,128 break-ins in Southfield in 1984, how many really happened but involved inflated loss totals?

Of the 435 burglars and larcenies so far this year in West Bloomfield, how many involve phony insurance reports?

No one knows. But thousands of felonies are being committed in our neighborhoods, by our relatives and friends, by otherwise good citizens who would never steal from the local grocer and

around whom your wallet would be safe, but who think nothing of defrauding an insurance company.

"People say, 'Oh, it's the insurance company, they make a lot of money,'" AAA's Golemba said.

Yet, it is all of us and not all of them — the insurance companies — that pay for fraud. Losses are factored into premiums. As fraud reports increase, so do the premiums.

If you paid \$1,000 in insurance premiums last year, \$250 went just to cover someone else's fraud. The problem won't be an easy one to solve. Even if fraud is suspected, gathering evidence is one thing, taking it to a prosecutor is another, getting a conviction yet another. For example, is a jury really going to believe an admitted house thief who says he took the jewelry but didn't take a suit or a microwave?

THE INSURANCE COMPANIES are fighting back.

"More and more, insurance companies are beginning to take the hard line," Golemba said.

"In the past, if there was fraud, they just used to deny the claim. Now, they're more willing to get the police involved."

"And prosecutors are more skilled in presenting those kinds of cases, now, and people are more sensitive to it."

Information pooling is an active method of fighting fraud and gathering evidence for claim denials and criminal convictions.

The ICPI, thanks to computers, can tell if a person has a history of similar reports, or if receipts listed in one theft were used as proof in another. It employs 100 full-time investigators nationwide, two in Detroit.

The Auto Theft Bureau keeps computerized lists of serial numbers and descriptions.

STILL, THOSE involved admit the



percentages are in favor of the guilty. AAA has just a 25-percent success ratio, and it investigates only obviously suspicious cases.

The ICPI admits that fewer than 1 in 10 of its cases — again, only suspicious ones are investigated — result in prosecution.

And even with successful prosecution, jail time is rare. "It's harder to get anyone in jail," said Kalbfleisch, referring to Michigan's crowded jail situation.

Restitution is usually all a company can hope for through prosecution. Golemba admitted. In seven years as a fraud investigator, he doesn't remember a single instance of a claimant going to jail, he said.

"IF IT'S a phony report by a home owner, you might as well give up on it."

said Ray Gibson, a private detective with National Detective and Security Co. of Royal Oak, which does investigations for insurance companies. "It's almost impossible to prove they padded it."

Says Rick Sinclair, an arson specialist with the Troy fire department: "A guy can collect \$2 million for burning a store, and maybe if it looks like arson the insurance company will investigate and maybe they won't. But if a guy goes out and robs a bank for \$3,000, they'll put out a statewide blockade, and the FBI will go after him. Till people's attitudes change. . . ."

That, most everyone admits, is the key: A change in attitude. Insurance fraud isn't a crime against a big company, it's a crime against us. Only we can do much about it.

## INSIDE ANGLES

Know someone doing something notable? Let us know. Write: Inside Angles, Farmington Observer, 33203 Grand River, Farmington 48024.

**LINDA HARPE**, daughter of Ken and Betty Harpe of Farmington Hills and Elizabeth J. Berger, daughter of George and Yvonne Berger of Farmington, were two of 138 students initiated into freshman scholastic honor societies in ceremonies this spring at Western Michigan University.

**MICHAEL FRONTZAK**, a 1981 graduate of Harrison High School, graduated from Swarthmore College, Swarthmore, Pa. He earned a bachelor of arts degree in anthropology and sociology and a bachelor of arts degree in English with concentration on theater.

**MARGARET MARTIN**, 12, of Farmington Hills was named to the 1985 Michigan State Select Soccer Team. The Select Team is an Under 14 Girls Team. She was selected as a result of statewide tryouts. Margaret plays Division Premier Soccer Bonanza League sponsored by the Michigan State Youth Soccer Association. Her team, WSSL United, was last year's Under 12 Girls State Champions.

**JAMES CULBERTSON** of Farmington Hills was elected recently to a three-year term as member of the Adrian College Alumni Association board of directors. A 1963 graduate of Adrian, Culbertson is manager in charge of a heavy truck planning division at Ford Motor Co.

He will begin his second term on the board of directors and has served on the finance committee. He is a member of the Harrison Football Boosters and Farmington Hills Country Club. He holds membership in the Sigma Alpha Epsilon Alumni Association and several masonic fraternal organizations.

**MARY LOU McMILLAN**, daughter of Mr. and Mrs. Thomas McMillan of Farmington Hills, received a bachelor of arts degree from Brown University in Providence, R.I.

**JOHN SANDERS**, Linda Baughman, Mark Copp, Ayad Mirza and Thomas Newstrom of the Farmington area graduated from Eastern Michigan University at spring commencement.

**CAROL ANN BARTLETT**, Keith Todd Kilmer, Linda Harpe, Dea Caste, Suzanne Thomas, Dyan Walker, Beth Lynn Frank and Thomas James Haskick, all from the Farmington area, have been named to the dean's list at Western Michigan University.

**JOHN CRAWFORD**, Edward Daniels, Lani Klegans, Jayne Goshel and Deane Morgan, from Farmington Hills, have been named to the dean's honor roll at Lawrence Institute of Technology.

**NANCY DELONIS** of Farmington Hills has received the St. Mary Hagoline Kunkel Scholarship for the 1985-86 academic year at Madonna College.

A graduate of Mercy High School, she is majoring in accounting. This award is granted annually to a student who has a minimum 3.0 grade point average and is enrolled full time.

**BARRY FRANK** of Farmington Hills, a premedical student at Wayne State University, is one of five college students spending the summer learning first hand how Cottage Hospital and its physicians function. The students are participating in a departmental rotation that introduces them to all facets of community hospital activities. Cottage Hospital is a few Detroit area hospitals to offer this program to premedical and public health students.

**DARREL E. KHATT** of Farmington Hills recently received a bachelor of business administration degree in business management at Northwestern University's 26th commencement ceremonies in Midland, MI.

**NANCY STARR**, Tamara Forfinski, Elizabeth Wright, Stacy Lynn Hagland, George Adams, Roger Smith, Marie Marie Bona, Mary Jo Halling, James Knick, Frederick Reller, David Sutton, Kelley Wallace, Elton Bloss, Susan Bernas, Ted Case, Krista Dill, Kim Grass and Stephen Merritt, of the Farmington area, were among 2,900 graduates at Central Michigan University.

**MARGARET ANN PELON**, daughter of Mr. and Mrs. James Pelon of Farmington, graduated with a bachelor of art degree in philosophy from the University of Dallas.

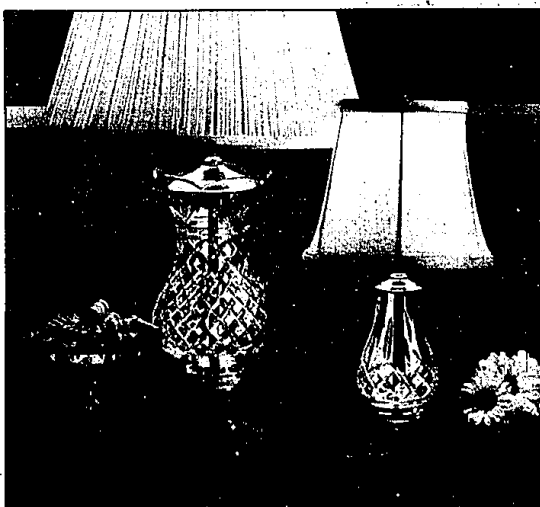
**CAROLYN McCLIMENT**, an electrical engineering major and Lisa Sabbe, a computer engineering major, of Farmington Hills, are currently attending Oakland University's School of Engineering and Computer Science and are working for General Dynamics during spring/summer 1985 semester under the Oakland University Cooperative Extension Program. The program allows junior and senior students to gain work experience, regardless of major.

**EMILY BURKE REINHARD**, daughter of Mr. and Mrs. J.V. Burke of Farmington Hills, has been named an Elliott Morrill Research Scholar at DePauw University. Chosen by the chemistry department faculty, the Elliott Morrill Research Award is presented to a senior chemistry major based on overall grade point average, excellence in classroom work and independent study, and dedication to the field of chemistry and its future through research.

**KATHLEEN BURNS**, Nancy Schlager, Cecilia Sak and Patricia Wasack, of Farmington Hills, have been inducted into the newly formed Nursing Honor Society at Madonna College in recognition of scholastic achievement, leadership, creative support of professional nursing standards and commitment to scholarly nursing.

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