

# Indicators of Wildfire-Related Fraud

For use by insurance claim professionals investigating fraud

**Most** claims are legitimate, but some are fraudulent. Therefore, it is appropriate to review all claims for possible fraud. Detecting fraud is aided by familiarity with industry identified fraud indicators.

**Indicators** assist in the identification of claims which merit closer scrutiny. The presence of an indicator (or several indicators) do not prove fraud. Indicators of possible fraud are not actual evidence, they only “indicate” the need for further investigation.

**Some** claims, although questionable, may be paid due to a lack of conclusive evidence of fraud. However, they should be submitted as questionable claims to NICB for further review.

## Wildfire-Related Claim Fraud Indicators:

When reviewing claims, consider these fraud indicators in your investigations:

### General Indicators of Fraud

- Claim exhibits false or exaggerated values outside of expected norms
- Claim location is outside the known wildfire catastrophe zone
- Submission of unverifiable theft reports, fraudulent receipts, and no proof of ownership for high value items (examples to include jewelry, art, electronics, furnishings, cash or collectibles)
- Submission of inflated Additional Living Expenses (ALE) incurred for temporary housing and necessities during the rebuild and repair phase
- Policy changes after the initial onset of a wildfire (notably changes online) to add coverage or increase the amount of coverage
- Prior questionable claims history
- Multiple previous fire, theft, or burglary claims

## Property-Related Claim Indicators of Fraud

- Location of the insured property was not located in major damaged area (fire was on the east side but insured property was on the west)
- The inventory of losses indicates an unusually high number of recent purchases after the initial wildfires and fire spread was reported
- Rental property sits vacant but is claimed to be primary residence
- The size of items claimed cannot physically fit in existing floor space
- Digital images of property or valuables are not available or appear altered
- Involved parties are not cooperative or forthcoming during interviews
- Place and/or date of purchase for newer items of significant value can't be remembered
- Witness version of loss does not coincide with facts of loss as presented
- Involved parties have selective memories on some facts and cannot remember simple issues that would be common to remember

## Commercial Fraud Indicators

- Business was shut down or vacated prior to the wildfire outbreak
- Claiming the loss of large quantities of cash/valuables but lacking evidence of these items

## Vehicle-Related Claim Indicators of Fraud

- The burned vehicle was located well outside of the wildfire impact zone
- The vehicle exhibits multiple interior burn locations and is not a total burn
- Vehicle burns display a noticeable pattern consistent with a liquid or residue of powder. This may be signs of chemical burns rather than a wildfire
- Fire damage to the vehicle is inconsistent with loss description
- Fire in passenger compartment self-extinguished with minimal damage
- Flammable liquid containers were recovered or detected from the vehicle or at the scene
- Review the vehicle's origin to include manufacturer, shipping and sale information, and vehicle history (both mileage and mechanical) to determine relevant information
- The vehicle's gas cap was off and/or missing before the fire occurred
- Engine components are missing
- Engine or transmission number is missing or altered
- License plate does not match the vehicle and/or is not registered to the individual

## Smoke & Ash Claim Indicators

Smoke and Ash fraud refers to a type of insurance fraud where individuals falsely claim significant damage to their property from smoke and ash caused by a wildfire or other large-scale fire, to receive a larger insurance payout than they are entitled to. This usually manifests as an exaggeration of the extent of the damage on their home or belongings beyond what occurred in the fire and as a result of the fire.

### Common Tactics

- Exaggerating damage: Claiming extensive smoke and ash damage to interior surfaces, furniture, and appliances even if the actual damage is minimal
- Fabricating cleaning costs: Inflating the cost of necessary cleaning and restoration services to remove smoke and ash
- Creating false evidence: Intentionally contaminating items with soot or ash to support a fraudulent claim

### Smoke & Ash - Damage Indicators (Initial)

- Exaggerating damage: Claiming extensive smoke and ash damage to interior surfaces, furniture, and appliances even if the actual damage is minimal

### Smoke & Ash - Attorney/Public Adjuster Indicators (Subsequent)

- Public adjuster, cleaning company, law office, etc. only works on smoke and ash claims
- High incidence of smoke and ash claims from a specific firm
- Request an Examination Under Oath to deter questionable claims

### Smoke & Ash - Damage Indicators (Subsequent)

- Ash findings are inconsistent: i.e. 40% in one area but 0% in the area immediately adjacent
- Ash findings are not a natural distribution pattern of falling/windblown ash
- Laboratory testing of residence and/or possessions shows no or little presence of ash or soot or other storm/event damage
- Landlord claims multiple properties have been damaged by smoke (often includes their residence, regardless of the home's distance from the fire or blown ash)

## Smoke & Ash - Repair Facility/Contractor Indicators (Subsequent)

- Contractor/cleaning company does not conduct any “smoke and ash” testing or tests incorrectly
- Work to remediate the smoke and ash damage is never performed by the cleaning company

NICB recommends insurance companies thoroughly investigate claims, conduct inspections, interviews and canvasses, and use specialized techniques to verify the extent of damage.

Access additional Indicators of Fraud, including those which often occur during catastrophic events and rebuilding, on NICB.org. Sign-in and navigate to Document Downloads.

## Understand the Dynamics of Fire

Wildfires produce highly mobile and dangerous embers which can travel and ignite from undeterminable distances. Large wildfires create their own localized weather in the form of “firestorms.” Heat from the burning vegetation rises, causing intense swirling winds that create powerful updrafts. Areas of the wildfire origin should be considered in relation to exposures and ignitable or combustible material.

As you investigate fire-related claims, consider some common ways fire and heat travel.

### Heat transfer occurs with:

- **Conduction** - resulting from direct contact with flames
- **Convection** - caused by wind and fire
- **Radiation** - resulting from sources such as the sun or heat from a large fire (may require analysis when fire damage is not consistent with the fire-spread)

### Fire transfer occurs with:

- Embers serving as an airborne ignition source (consider the circumstances need to be consider)
- Direct contact with flames

For more information, reference

[https://urbanforestrysouth.org/products/fact-sheets/fire-in-the-interface-fact-sheets/understanding-fire-behavior/index\\_html](https://urbanforestrysouth.org/products/fact-sheets/fire-in-the-interface-fact-sheets/understanding-fire-behavior/index_html)