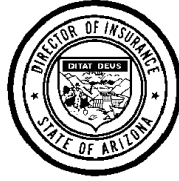


PRESS RELEASE

JANE DEE HULL
GOVERNOR



CHARLES R. COHEN
DIRECTOR

ARIZONA DEPARTMENT OF INSURANCE

2910 North 44th Street, Suite 210, Phoenix, Arizona 85018-7256 · (602) 912-8456 · FAX: (602) 912-8452

<http://www.state.az.us/id>

Contact: Don Harris
Public Information Officer
602/ 912-8456

1999-3

FOR IMMEDIATE RELEASE
January 28, 1999

STATE INSURANCE FRAUD UNIT OPENS 816 CRIMINAL CASES IN 1998; RECORDS 122 CONVICTIONS, RECOVERS NEARLY \$1.1 MILLION; CRIMES AGAINST INSURANCE COMPANIES HURT POLICYHOLDERS

The Arizona Department of Insurance opened 816 criminal cases of suspected fraud committed against insurance companies in 1998.

Charles R. Cohen, director of the state Insurance Department, said the Fraud Unit recorded 122 convictions during the year, with 81 cases awaiting arrest or trial.

Cohen said the Insurance Department's efforts resulted in nearly \$1.1 million in restitution and recovered property, including \$38,092 in fines.

"It is vitally important for the public to realize that frauds perpetrated on insurance companies affect the rates we all pay," Cohen said. "When someone defrauds an insurer, the result often is higher premiums for everyone. This program certainly is a benefit to honest consumers by helping to keep insurance premiums from increasing more than they otherwise would."

The 15-member Fraud Unit, which is headed by Terry Cooper, a former Phoenix police officer with 24 years of service, received from insurance companies 1,391 referrals, including 816 criminal cases that involved suspected fraud.

-more-

A total of 166 criminal cases were referred to the Arizona Attorney General's Office for prosecution, and 94 others went to the Maricopa County Attorney's Office. The Fraud Unit was created by the Arizona Legislature in 1994.

Cohen said the Department of Insurance is committed to continuously intensifying the fight against insurance fraud.

"We want to send a message to those who would perpetrate insurance fraud that Arizona is aggressive about investigating and prosecuting those illegal acts," Cohen said.

The most common types of insurance fraud, Cohen said, involve claims, premiums or fraud by vendors or providers. Examples include false burglary and theft claims, false stolen vehicle claims, arson, slip-and-falls, worker's compensation scams, medical billing scams, pharmacy fraud, staged accidents and auto body shop fraud.

"Claim fraud occurs when individuals tell their insurance companies they suffered a loss when no such loss occurred or when they inflate the amount of damage they report for a loss that did occur," Cohen said.

Conviction of insurance fraud is a class 6 felony, and committing a fraudulent scheme is a class 2 felony.

Premium fraud, also a class 6 felony, occurs when an individual misrepresents facts when applying for insurance. Penalties can range from one and a half years to 10 years in prison.

"For example," Cohen explained, "a landscaper may deliberately fail to tell the insurance company about his risky activities, such as tree trimming, when applying for health insurance. Or an individual may misrepresent the value of his personal property when applying for homeowners insurance."

Vendor or provider fraud occurs when a business or professional person requests payment from an insurance company for services that were not performed or misrepresents the true cost of those services.

"A doctor may report that he performed two surgical procedures on a patient when, in fact, only one was performed," Cohen said. "Or an auto body shop may seek reimbursement for replacing a motor when the motor was merely tuned up."

-more-

Compared to 1997, the number of criminal cases reported to the state increased dramatically, to 816 from 308. Cooper, who heads the Insurance Department Fraud Unit, said the increase reflects greater scrutiny by state investigators and the insurance industry.

Insurance companies and individuals who suspect insurance fraud should notify the state Insurance Department Fraud Unit by calling (602) 912-8418.

The Arizona Department of Insurance also operates the Consumer Services and Investigations Division, which assists individuals with complaints against insurance companies and agents. A report on the division's 1998 activities is expected to be completed shortly.

In addition, a new Department of Insurance consumer-oriented program for health care appeals overturned at least 13 decisions by insurance companies in 1998, ruling instead in favor of individual policyholders.