



Kansas Insurance Department

Ken Selzer, CPA, Commissioner of Insurance

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For more information, contact:

Bob Hanson

Public Information Officer

(785)-296-7807

bhanson@ksinsurance.org

Consumer alert: **Fighting fraud important to insurance department**

TOPEKA, KS — On a national level, if insurance fraud was a business, it would be a Fortune 500 company, according to national reports. It is, by all accounts, the second largest economic crime in the United States; only tax evasion exceeds it.

“Statistics from the Coalition Against Insurance Fraud show that insurance fraud costs upwards of \$80-120 *billion* annually across all lines of insurance,” said Ken Selzer, CPA, Kansas Commissioner of Insurance. “Most importantly, it can add hundreds of dollars to annual insurance premiums, because companies include that cost of doing business in the premiums you pay.”

This type of fraud concerns the intentional misrepresentation of facts and circumstances to an insurance company in order to obtain payment that would not otherwise be made. According to the Coalition, the illegal activity accounts for 5-10 percent of claims costs for United States and Canadian insurers.

Current schemes are identity theft, hacking, employee-agent activity, and claims. The reasons for committing fraud are as numerous as the people who commit it — the need for money for some legitimate (in their minds) or illegitimate activity, or maybe just plain greed.

But whatever the motivation, when the anti-fraud division of the Kansas Insurance Department (KID) receives a report of suspected fraud, the department investigators first make a determination about the alleged activity in terms of who should actually do the investigation, Commissioner Selzer said.

Some reports are clearly not insurance fraud and are placed with an appropriate outside investigative agency. Others are not insurance fraud but are consumer issues or market conduct issues that other divisions in KID could investigate.

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Information from consumers is often forwarded to an insurance company's special investigative unit, and some cases that are clearly violations of federal law are referred to a federal investigative agency, such as the FBI.

If the anti-fraud investigators determine that suspected fraud falls within the insurance law in Kansas Statutes, then the investigators interview witnesses, take statements and collect and analyze evidence, Commissioner Selzer said. Once everything is complete, they make a decision on the merit of the case by asking two simple questions: Was it really insurance fraud? Did the facts warrant a prosecution?

If the answers are *Yes*, then the investigators review the case with the KID In-House Special Assistant Attorney General to determine who prosecutes the case and where the case will be filed. This process involves the KID Legal Division and the Attorney General's office.

“This process will be enhanced beginning July 1, when the Kansas Securities Commissioner's office will realign as part of the Kansas Insurance Department,” said Commissioner Selzer. “The passage of the legislation to make that effective includes increased prosecutorial powers for the Attorney General and a collaboration of the combined agencies for more efficient anti-fraud investigations.”

Readers who suspect any type of fraudulent Kansas insurance activity should contact the KID Anti-Fraud Division by calling 1-800-432-2484.

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The Kansas Insurance Department, established in 1871, assists and educates consumers, regulates and reviews companies, and licenses agents selling insurance products in the state. More about the department is online at www.ksinsurance.org or at www.facebook.com/kansasinsurancedepartment.