

# CFG ANTI-FRAUD TRAINING SESSION

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COUNSEL

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# Insurance Fraud

Insurance Fraud is one of the most costly white collar crimes in America today, with estimated losses in the billions of dollars annually. According to some estimates, insurance fraud costs the average American family more than \$1,000 each year\*. This is a financial crime with often devastating consequences that victimizes everyone.

\*IFPA, January 2009

# OVERVIEW OF TRAINING

- CFG Fraud Prevention Program
- Fraud Red Flags
- Fraud Procedures

# CFG FRAUD PREVENTION PROGRAM

# PURPOSE OF ANTI-FRAUD PLAN

- Education
- Prevention
- Reporting
- Possible Prosecution

# SPECIAL INVESTIGATIVE UNIT (SIU)

- Train and Update Employees who are Integral to Fraud Identification Process
- Those employees can include:
  - New Business/Underwriting
  - Claims
  - Customer Service
  - Agent Management
  - Audit Services
  - Legal/Compliance

# CFG SIU MEMBERS

- Frank Lettera
- Rick Relf
- Anne Kelly
- Tammy Marlotte
- Deb Colón
- Lynn Wilber

# SIU DUTIES & FUNCTIONS

- Maintain & Update Anti-Fraud Plan
- Educate Employees about Fraud
- Circulate Publications & Articles about Fraud Prevention
- Identify Markers & Techniques for Identifying Fraud
- Develop Records & Databases of Fraud Claims



# SIU DUTIES & FUNCTIONS

- Investigations
- Report Instances of Possible Fraud
- Coordinate with Regulatory and State Officials
- Collect Data to Evaluate Effectiveness of Anti-Fraud Efforts
- Submit annual state reports on fraud program and activities

# PRIVACY

- All Employees must Respect the Confidentiality of a Fraud Investigation
- Report Your Knowledge or Belief that a Fraudulent Insurance Act, Felony or Misdemeanor has occurred or may occur to an SIU Member, Frank Lettera, Mike Fosbury, Tom Rattmann (Chairman of The Board) and/or Chuck Kavanaugh (Board Member)

# FRAUD EDUCATION & TRAINING

- Review Anti-Fraud Plan Annually
- New Employee Orientation
- Conferences & Seminars
- Annual Training (why you have received an email with this presentation)

# FRAUD DETECTION RED FLAGS

# FRAUD DETECTION

## RED FLAGS

- Importance of Information exchange
- Legitimate transactions can have one or more Red Flags
- Application Process Fraud
  - Fraud involving the Applicant
  - Fraud involving the Agent
- Areas where fraud may occur
  - Application
  - Policy Service
  - Claims
  - Internal Activities

# FRAUD DETECTION RED FLAGS

- Application Process
  - Applicant
    - No home address (used PO Box, hotel, etc)
    - No home telephone or uses neighbor's number
      - Difficult to contact by telephone
    - No identification such as license or S.S. # card
    - Foreign Student or in U.S. on a Visa
    - Lives in one state but can not wait to return to another state

# FRAUD DETECTION RED FLAGS

- Application Process
  - Applicant (cont'd)
    - Unemployed
    - Insurance amount excessive for circumstances
    - Questionable or no insurable interest in insured
    - Appearance suggests or contradicts medical information
      - nonsmoker carrying cigarettes
      - 'healthy' person carrying oxygen bottle
    - Multiple 'hits' from MIB

# FRAUD DETECTION RED FLAGS

- Application Process
  - Applicant (cont'd)
    - Is a 'walk-in', i.e. generally that doesn't happen
    - Unusually knowledgeable about insurance
      - inquires about \$ limit of insurance without blood test
      - discusses or asks about claims or other Company procedures
    - Pays in cash without a reasonable explanation
    - Difficulty providing normal information
      - employer
      - address



# FRAUD DETECTION RED FLAGS

- Application Process
  - Applicant (cont'd)
    - Gives incomplete, inconsistent or misleading information
    - Insured does not initial changes to answers
    - Application completed with different color inks
    - Items highlighted on the application
    - Insured signs with a mark which is not notarized

# FRAUD DETECTION

## RED FLAGS

- Policy Service
  - Premiums paid by agent
  - Payor is not insured or policy owner
  - Signatures on forms do not match signature on application
  - Forms signed by someone other than policy owner and no power of attorney
  - Forms completed in different color inks
  - Terminal illness benefit requested by foreign national while outside the U.S.

# FRAUD DETECTION RED FLAGS

- Death Claims Processing
  - No certified death certificate available
  - Claimant has no 'permanent' address
  - No physician's statement available
  - False, suspicious or altered documents
  - Medical records not available direct from medical provider
    - no close relative to sign medical release
  - Circumstances of death vague

# FRAUD DETECTION RED FLAGS

- Death Claims Processing (cont'd)
  - Claimant uncooperative
    - constantly asks why Columbian needs information
    - demands \$ immediately
  - Long delay in submission of death claim
  - Insured died in foreign country
    - body not repatriated/returned to U. S.
    - medical records or death certificate from foreign country

# FRAUD DETECTION RED FLAGS

- Death Claims Processing (cont'd)
  - Claim on child(ren) of foreign national
    - disparity on coverage on one child
  - Insured new to U. S. or is a foreign national
  - No certified copies of domiciliary letters or letters of trust
  - Agent does not want beneficiary contacted
  - Agent requests check sent to agent or made payable to agent

# FRAUD DETECTION RED FLAGS

- Disability/Critical Income Claims Processing
  - Questionable timing
    - disability close to issue date
  - History of disability claims
  - Questionable disabilities
    - back injury such as soft tissue – only pain, etc.
    - no medical tests to verify
  - Insured refuses to release medical information

# FRAUD DETECTION RED FLAGS

- Internal Activities or System Monitoring
  - Multiple Payments
    - same person but different address
    - different people but same address
    - same payor for multiple adult insureds
  - Same billing address for multiple adult insureds
  - Checks endorsed by someone other than payor

# FRAUD DETECTION RED FLAGS

- Internal Activities or System Monitoring (cont'd)
  - Employee has excessive number of manual overrides
  - Employee limits vacations to one or two days at a time
  - Employee has high number of 'cash' transactions relative to other employees in comparable position
  - Employee frequenting/utilizing other work stations



# FRAUD PROCEDURES

# REPORTING

- Report to Supervisor
  - allows quicker identification of problems
  - introduces greater experience
- Supervisor or SIU Member notifies legal SIU Member

# INVESTIGATING

- Legal SIU Member
  - Determines whether single or combination of SIU Members will investigate
  - Determines if external investigator needed
  - Frequently will conduct investigation

# INVESTIGATING

- Investigator
  - ensures active investigation kept confidential
  - conducts investigation with tact, courtesy and sensitivity
  - determines what information to obtain
  - determines if any additional matters need to be investigated
  - submits a report of findings with state insurance &/or fraud unit as necessary.
  - Reports findings to SIU team

# RESOLUTION

- Internal (Employee)
  - disciplinary action which may include termination
  - restitution
  - civil recovery
  - reporting to appropriate authorities

# RESOLUTION

- External (Agent or Customer)
  - disciplinary action which may include termination
  - restitution
  - civil recovery
  - reporting to appropriate authorities, DOI, etc.
  - policy declination
  - policy rescission

IDENTITY THEFT PREVENTION  
PROGRAM  
“RED FLAGS” RULE

# Federal Requirements

- Identify Red Flags
- Detect Red Flags
- Respond when Red Flags detected to prevent or mitigate identity theft
- Update program as risks change



# Who Is Covered?

- Policyholders
- Producers
- Mortgage loan borrowers
- Employees

# Potential Red Flag Areas

- Name
- Address
- Phone #
- Social Security #
- Date of Birth
- Drivers License
- Taxpayer Identification Number
- Unique electronic identifier e.g. PIN

# Common Areas Where Fraud is Detected

- Personal Identifying Information
- Account Activity
- Alerts from Others

# Personal Identifying Information

- Inconsistent information e.g. birth date & age
- Information inconsistent with other sources
- Invalid information e.g. phone # or address
- Social Security # or address matches someone else's identity

# Personal Identifying Information

- Failing to provide requested identifying information (note: can not require Social Security #'s)
- Information inconsistent with existing information
- Applicant gives false, misleading or incomplete information or can't remember normal information

# Account Activity

- Change of address followed by change of ownership
- Payments stop on normally paid up account
- Account activity changes significantly
- Mail returned as undeliverable or customer notifies not receiving mail
- Customer indicates unauthorized activity
- Breach of CFG's computer system security

# Alerts from Others

- Notice from law enforcement or other person
- Notice or alert from Credit Reporting Agency

# Detecting Red Flags

- New Accounts
  - Require identifying information e.g. DOB
  - Verify customer identity via license, etc.
  - Independently contact customer to verify incomplete, inconsistent or suspicious information



# Detecting Red Flags

- Existing Accounts
  - Verify identity of customers requesting information
  - Verify requests to change billing addresses or policy ownership
  - Verify changes in banking information supplied for payment purposes

# Responses to Red Flags

- Monitor account
- Contact Customer
- Change passwords or security codes
- Don't open a new account
- Close existing account
- Re-open account with new number

# Responses to Red Flags

- No attempt to collect payment on account
- Notify General Counsel or Supervisor/Manager

# CFG Responses to Red Flags

- Secure CFG websites
- Destroy files past retention period
- Password protect computers & lock screens when you leave your desk
- Keep workspaces clear of customer identifying information

# CFG Responses to Red Flags

- Keep computer virus protection up to date
- Require and keep only necessary customer information
- Limit access to customer information for only legitimate business needs

# Program Updates

- Review annually
- You can help
  - Report potential threats or experiences
  - Suggested new Red Flags
- Provide information to Supervisor, Compliance Officer or General Counsel

# QUESTIONS?

Contacts:

Frank Lettera - Ext 7328

Deb Colón - Ext 7398

# Acknowledgment to Training

I, the undersigned, acknowledge I have read the foregoing CFG Anti-Fraud Training PowerPoint presentation.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name