

## **Fighting fraud: How cheaters increase the cost of your insurance**

By Al Redmer, Jr., Maryland Insurance Commissioner

Across the country, the cost of insurance is a major concern for consumers, regulators and policy makers. It's a topic that is constantly in the news.

A huge and often overlooked factor in that cost is fraud. According to the FBI, insurance fraud in just the property and casualty sector costs about \$40 billion per year nationally. That means the average American family is spending between \$400 and \$700 more for premiums each year just because some people are breaking the law.

Unfortunately, Maryland is no exception. At the Maryland Insurance Administration, combatting fraud is one of our top responsibilities. In fiscal 2019, our Fraud Division referred 37 cases for criminal prosecution. Another 66 cases resulted in Civil Fraud Orders issued by the insurance commissioner. Together, those cases resulted in criminal convictions, jail time, probation, \$117,590 in fines and \$224,983 in ordered restitution.

Who commits fraud? Sometimes an insurance agent or another representative from an insurance company can commit fraud. Pocketing premiums, selling unauthorized insurance policies, and creating fake documents are some examples of that kind of fraud.

The other large category of fraud is committed by people who are trying to get money they don't deserve from insurance companies. The list is long for this kind of wrongdoing; think arson-for-profit, exaggerating a storm claim or buying insurance after a car accident.

Fraud cases run the gamut from sophisticated schemes to ones that could be described as, well, less than sophisticated. It's actually shocking how some people think they can game the system. They don't think they will get caught. In some cases, they don't realize what they are doing is a serious violation that can result in severe penalties.

The law is clear: Any person who knowingly and willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly and willfully

presents false information in an application for insurance is guilty of a crime and may be subject to fines and a prison term.

In my opinion, the best way to fight crime is to stop it before it happens. That's why the Maryland Insurance Administration will be highlighting some of the successfully prosecuted Maryland insurance fraud cases. The idea is to show that crime doesn't pay. If you commit insurance fraud in our state, you are likely to get caught and the consequences aren't pretty.

[Click here for more information](#) from the Maryland Insurance Administration about insurance fraud and how to protect yourself from becoming a victim.