



CELEBRATING
55 YEARS

nerej

Fraudulent claims expected to rise

December 11, 2008 - Spotlights

With the economic downturn, fraudulent claims are expected to rise. For real estate owners and property managers this can be quite costly. After all, insurance premiums are based on loss history, so when the frequency of claims increase, so does the cost of insurance. Fraudulent claims present themselves in three ways: fictitious losses, staged incidents and exaggeration of loss or personal injury.

Fictitious losses occur when the claimed loss or incident did not happen. In this scenario, the claimant deliberately presents a false set of circumstances and evidence for their financial gain. For instance, a tenant with a bad back may call the property manager to say that they fell on snow in the parking lot. The tenant may also go to their doctor and get a medical note to support their allegation. Although un-witnessed, the medical documentation helps to support their case, and before long, a settlement is made.

Staged incidents occur when a claim has been caused deliberately. An example of this may be the tenant that knows about a step or place on the floor that needs repair. As a way of staging the incident, they may wait for someone to see them and then "accidentally" fall. They may complain of pain and may even request transportation to the hospital.

The type of fraudulent claim that happens most frequently is the "exaggerated" claim. This occurs when a genuine loss or personal injury takes place and the claimant exaggerates the true extent of the damage or personal injury sustained. An illustration of this may be the tenant whose apartment is broken into and claims excessive amounts of jewelry has been stolen. This also happens when the claimant genuinely falls and hurts themselves. They may first report that they feel okay, but after they speak with their sister's uncle's brother that is an attorney, their back suddenly hurts!

A few practical, preventative steps will help reduce the ultimate cost of these claims. Property managers should consistently do self inspections of the property as well as perform in-depth accident investigations of all claims reported. Also, working with your broker or claim consultant to conduct regular claim reviews of all your open claims will help to ensure aggressive strategies are in place which is essential to lowering the cost of claims which do inevitably occur.

Lisa Hartman, ARM is a senior consultant at Albert Risk Management Consultants, Needham, Mass.