

Kansas Association of Insurance Agents
Insurance Fraud CE Training
 John Eichkorn, Director
 Compliance, Enforcement and Anti-Fraud
 February 03, 2025

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Meet Your Speaker
John Eichkorn, Director
 Compliance, Enforcement and Anti-Fraud Division

- Retired as a Major from the Kansas Highway Patrol in December 2017, after 30 years of service
- Joined the Kansas Department of Insurance in 2019 as the Director of the Compliance, Enforcement and Anti-Fraud Division
- Native Topekan, graduated from Shawnee Heights Senior High School and Washburn University with a bachelor's degree in criminal justice

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Poll Question

Who investigates insurance fraud?

- The insurance company
- The National Insurance Crime Bureau (NICB)
- The Kansas Department of Insurance
- Law enforcement officers
- All the above

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Insurance Fraud Investigation

The Kansas Department of Insurance's Criminal Anti-Fraud Division was established in May 2004 to handle all types of insurance-related misconduct except for:

- Medicare fraud
- Medicaid fraud
- Workers' Compensation Claimant fraud

Today, the anti-fraud effort is a part of the Compliance, Enforcement and Anti-Fraud Division within the Kansas Department of Insurance



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Compliance, Enforcement and Anti-Fraud Division

19-member division

<p>Compliance – civilian employees</p> <ul style="list-style-type: none"> • Director • Chief examiner • Senior examiner • Examiner 	<p>Civilian support staff</p> <ul style="list-style-type: none"> • Legal assistant • Fraud Examiner • Public Service Administrator
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Enforcement / AF (certified LEOs)


- Director
- Chief agent
- Senior special agent
- Special agent



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Insurance Fraud Investigation

- Special agents review, refer, and investigate cases from all over the state of Kansas. Many of these cases require assistance from other law enforcement or regulatory agencies.
- Staff attorneys review the findings and facilitate prosecution or other appropriate disposition of the matter.
- The Kansas Attorney General's Office ultimately prosecutes these cases.



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**Kansas Statutes
Chapter 40 – Insurance
Article 2**

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K.S.A. 40-247 – Insurance Agent or Broker Failing to Pay Premium to Company, Penalty


(a) insurance agent or broker who acts in negotiating or renewing or continuing a contract of insurance including any type of annuity by an insurance company lawfully doing business in this state, and who receives any money or substitute for money as a premium for such a contract from the insured, whether such agent or broker shall be entitled to an interest in same or otherwise, shall be deemed to hold such premium in trust for the company making the contract. If such agent or broker fails to pay the same over to the company, less such agent's or broker's commission and any deductions, to which by the written consent of the company such agent or broker may be entitled, such failure shall be prima facie evidence that such agent or broker has used or applied the premium for a purpose other than paying the same over to the company.

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K.S.A. 40-2,118 – Fraudulent Insurance Act Defined; Amount Involved Defined; Penalty; Notification of Commissioner, When; Antifraud Plan


(a) For purposes of this act a "fraudulent insurance act" means an act committed by any person who, knowingly and with intent to defraud, presents, causes to be presented or prepares with knowledge or belief that it will be presented to or by an insurer, purported insurer, broker or any agent thereof, any written, electronic, electronic impulse, facsimile, magnetic, oral, or telephonic communication or statement as part of, or in support of, an application for the issuance of, or the rating of an insurance policy for personal or commercial insurance, or a claim for payment or other benefit pursuant to an insurance policy for commercial or personal insurance that such person knows to contain materially false information concerning any fact material thereto; or conceals, for the purpose of misleading, information concerning any fact material thereto.


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Fraudulent Insurance Act Penalties

- Severity level 6, nonperson felony if the amount involved is \$25,000 or more
- Severity level 7, nonperson felony if the amount involved is at least \$5,000 but less than \$25,000
- Severity level 8, nonperson felony if the amount involved is at least \$1,000 but less than \$5,000
- Class C nonperson misdemeanor if the amount involved is less than \$1,000




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Poll Question

Who is the victim in an insurance fraud case?

- Kermit the Frog
- The insurance company
- The insurance policyholder
- Contractors (i.e.: body shops and roofing companies)

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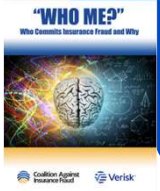
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Why are we so passionate?


Insurance crooks are picking our pockets to line theirs. According to the **Coalition Against Insurance Fraud**, insurance fraud is one of America's largest crimes — at least **\$308.6B is stolen each year**.

Attitudes toward insurance fraud can vary when comparing this crime with others such as burglary or general theft. According to a recent Coalition study, **75% of people aged 35-44 consider insurance fraud a crime. It was down to 65% for people aged 18-24.**

"Insurance companies rip people off so its fair"
"I pay them enough, it's my money"



Coalition Against Insurance Fraud Verisk


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Where do investigations originate?

The public, industry, outside agency partners, and victims submit tips, complaints, and notifications to the KDOL.


- Calls
- Mail
- Email / Department's web-based reporting processes
- Insurance companies through NAIC web-based processes




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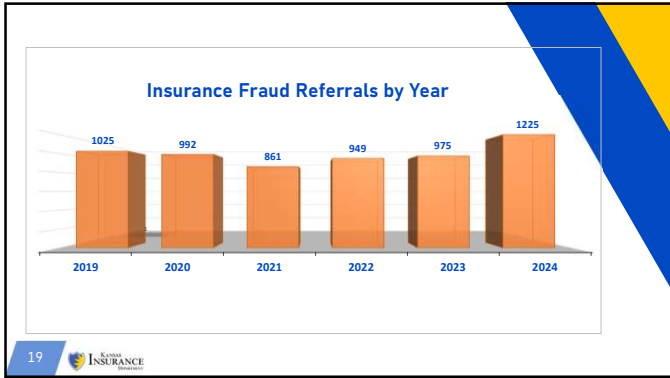
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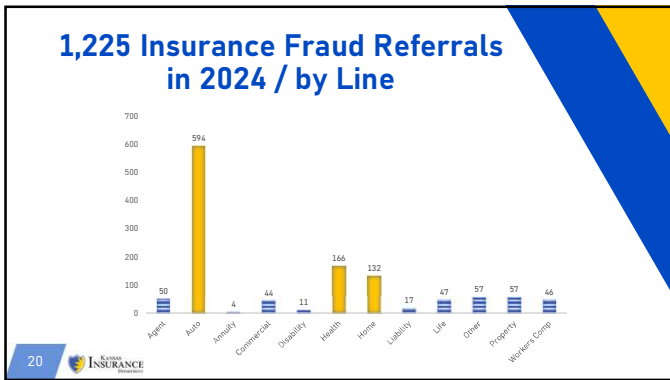
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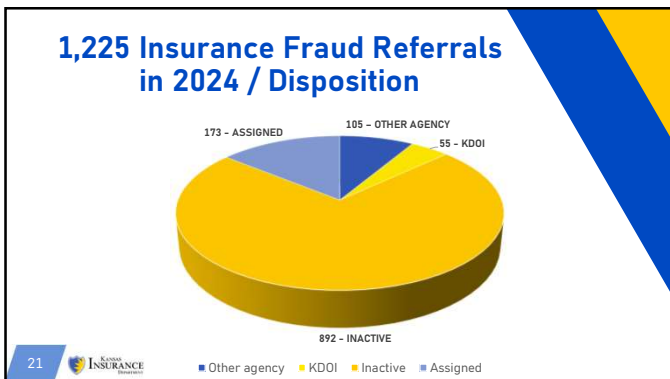
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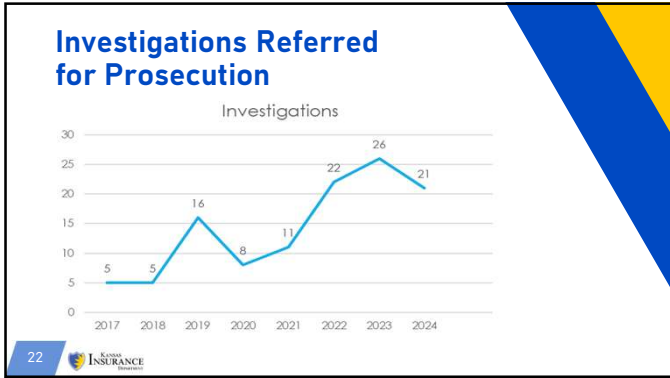
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Poll Question

What is the most common insurance fraud referral in Kansas?

- Arson
- Bash and buy
- False or inflated loss
- Staged accident

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Insurance Fraud

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Past posting is NOT legal!

A very real (and common) past posting example:

Ms. "M" added a 2012 KIA Sorento to her insurance, but at liability coverage only.



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Past posting is NOT legal!

Ms. "M" is driving home and strikes a deer, causing damage to her SUV. She calls her insurance company to report and make a claim . . .



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Past posting is NOT legal!

Insurance company advises Ms. "M" she only has liability coverage.

So, Ms. "M" adds comprehensive while still on the phone but is told this would not cover the accident she just had.



"The bad news is that the deer had no insurance."

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Past posting is NOT legal!

(a few days later...)

Ms. "M" goes to local law enforcement to make an accident report, saying she struck a deer earlier that morning on her way to work.



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Past posting is NOT legal!

Ms. "M" calls her insurance company to make a claim on this collision with a deer.

Red flags raised, insurance company investigates.

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Past posting is NOT legal! The conclusion

Ms. "M" could face criminal prosecution for:

- Insurance Fraud (level based on loss)
- Making a false writing
- False information in reporting an accident



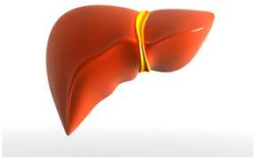
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Three New Livers

2014 Aflac supplemental policy purchased

2015 Liver transplant at KU Med

- Claim filed
- \$42K paid by Aflac



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Three New Livers

April 2017 Liver transplant

Claim filed

- \$32K paid by Aflac



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Three New Livers

October 2017 Liver transplant

Claim filed

- \$31K
- **NOT PAID** by Aflac



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Three New Livers

Wellington man sentenced

- 24 months probation due to health
- \$31,755 in restitution to Aflac

Michael Hauss of Wellington charged with insurance fraud

© JULY 26, 2021



Summer Newsweek report -- A Wellington man told his insurance company that he got a second liver transplant two years after he received his first and continued his service to pay a claim for it, according to a Wichita Eagle report.

But that procedure never happened, Kansas Attorney General Derek Schmidt said.

Michael Hauss, 55, of Wellington, pled guilty to insurance fraud in May and will have to pay \$31,755 in restitution. In a Thursday news release, Schmidt said Hauss was sentenced Tuesday in Sumner County District Court for one count of insurance fraud and one count of forgery. The judge, William R. Mott, placed Hauss on supervised probation for two years and ordered he pay a \$3,000 fine in addition to the thousands in restitution he owed the insurance company.

Schmidt said during an investigation, the Kansas Insurance Department determined that Hauss "had purchased a policy to cover other expenses which were covered by a supplemental insurance carrier" after he had a liver transplant in 2019.

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Use of insurance proceeds

- New F150 pickup
- New Windjammer Rockwood travel trailer



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The tale of two boats . . . the "hull" story

2013 Ranger reported stolen in early 2018

Claim filed

- \$21K paid by Safeco



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The tale of two boats . . . the "hull" story

2016 Ranger reported stolen in late 2018 / early 2019

Claim filed

- **NOT PAID** by Safeco



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Ranger BOATS

Special agents worked with Ranger boats

- Hull numbers not valid
- Boat never existed




RGR04234B516
RGR63723K313

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The tale of two boats . . . "The End"

NEWS
KCK man ordered to pay up after bogus claims



By: Heidi Schumb
Posted: Apr 25, 2022 1:05:17 PM CDT
Updated: Apr 25, 2022 10:47:19 AM CDT

- 24 months probation
- \$21,483.13 in restitution to Safeco

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Using Travel Insurance to defraud?

Travel Insurance

- Up to \$50K individual medical
- Up to \$1,500 individual trip interruption

Policies are purchased for trips

- Generally, outside of the U.S.
- Trips that are sometimes not taken / altered proof of flight



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Online Submission of Claims

- Travelers turn in claims for tens of thousands of dollars seeking reimbursement
- Claiming extended hospitalization / medical procedures




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Online Submission of Claims

Anomalies found in supporting documentation

- Incorrect language
- Incorrect Date Format
- Incorrect Currency Format
- Incorrect Spelling
- Incorrect Spacing



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Takeaways . . . of course, check with your company

Lay eyes and take pictures . . . what are you insuring?

- Hail damage on travel trailer

Listen for statements given by your insureds. What are they really saying? What ifs could be red flags

- If I were to get into an accident, what is my deductible?
- I hit dear. Am I covered? Let's add coverage now.
- Laps in coverage due to nonpayment. Signed statements of no loss are important.

Helping your insured commit insurance fraud is a crime.

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Contact Us

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Questions?

Thank you!

February 03, 2025



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