



ForeCAST REPORT

Date: July 26, 2012

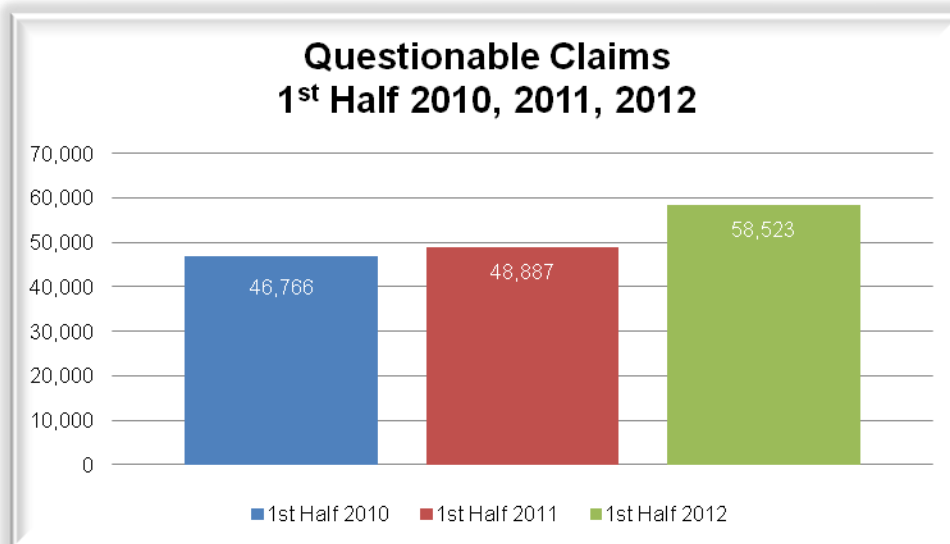
Regarding: 1st Half 2010, 2011, 2012 Questionable Claim (QC) Referral Reason Analysis (Public Dissemination)

Prepared By: Ann Florian, Strategic Analyst

Executive Summary

An analysis of the National Insurance Crime Bureau (NICB) 1st Half 2010, 2011, 2012 QC Referrals was performed to compare Property, Casualty, Commercial, Workers' Compensation, Vehicle, and Miscellaneous referral reasons. Comparing the 1st Half of 2011 to the 1st Half of 2012, all categories showed increases. Looking back at the 1st Half of 2010 to the 1st Half of 2011 all categories showed an increase, with the exception of Property and Vehicle showing decreases in referral reasons. **Data note: The QC database is a dynamic dataset. Some claims have been voided in ISO ClaimSearch, and other claims can be updated by the member entering the claim.**

In the 1st Half of 2010, there were 46,766 QCs. In the 1st Half of 2011, that number increased to 48,887 QCs. In the 1st Half of 2012, that number increased again to 58,523 QCs. This represents a 25% increase over the two year timeframe from the 1st Half of 2010 to the 1st Half of 2012. From the 1st Half of 2011 to the 1st Half of 2012 there was a 20% increase. It should be noted that a single QC can contain up to seven different referral reasons.



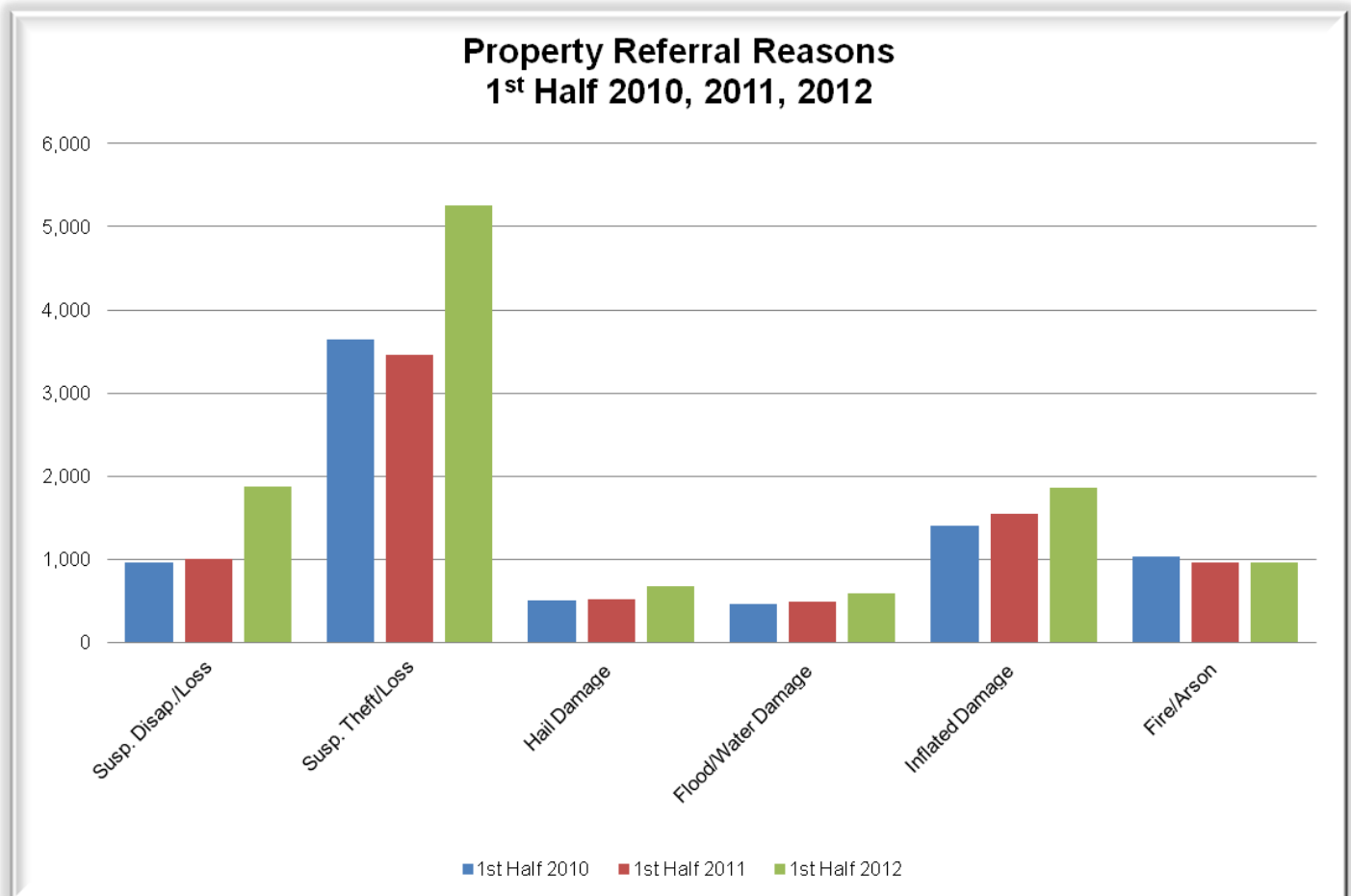
From the 1st Half of 2011 to the 1st Half of 2012, the Miscellaneous QC category had the highest increase in volume, while the Property QC category had the highest percentage increase. For a single QC referral reason, Suspicious Theft/Loss (Not Vehicle) in the Property QC category had the largest increase in volume; Medical Provider in the Miscellaneous QC category experienced the largest decrease in volume.

QC Referral Reason Distribution

1st Half of 2010, 2011, 2012 Property QC Referral Reasons

Property QC Referral Reason	1 st Half 2010	1 st Half 2011	Difference	% Change	1 st Half 2011	1 st Half 2012	Difference	% Change
Suspicious Disappearance/ Loss of Jewelry	953	1,004	51	5%	1,004	1,870	866	86%
Suspicious Theft/ Loss (Not Vehicle)	3,648	3,464	-184	-5%	3,464	5,255	1,791	52%
Hail Damage	506	523	17	3%	523	672	149	28%
Flood/Water Damage	460	484	24	5%	484	587	103	21%
Inflated Damage	1,403	1,542	139	10%	1,542	1,852	310	20%
Fire/Arson	1,024	966	-58	-6%	966	961	-5	-1%
Total Property QC Referral Reasons	7,994	7,983	-11	0%	7,983	11,197	3,214	40%

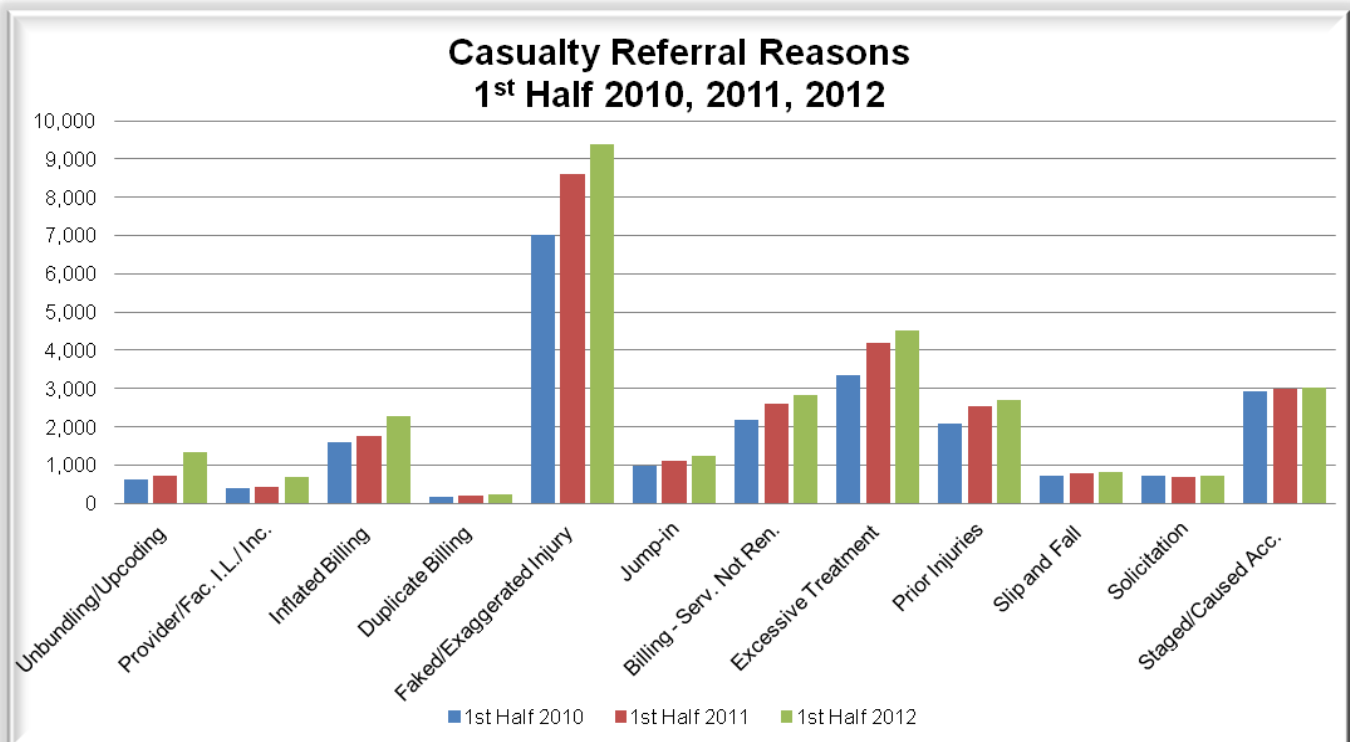
Overall, Property QC referral reasons increased by 40% from the 1st Half of 2011 to the 1st Half of 2012. Suspicious Disappearance/Loss of Jewelry showed the highest percent increase with a 86% increase from the 1st Half of 2011 to the 1st Half of 2012. Suspicious Theft/Loss (Not Vehicle) showed the highest increase in volume out of all the referral reasons in this report at 1,791 additional referral reasons from the 1st Half of 2011 to the 1st Half of 2012.



1st Half of 2010, 2011, 2012 Casualty QC Referral Reasons

Casualty QC Referral Reason	1 st Half 2010	1 st Half 2011	Difference	% Change	1 st Half 2011	1 st Half 2012	Difference	% Change
Unbundling/Upcoding	630	718	88	14%	718	1,327	609	85%
Provider/Facility Improperly Licensed (IL)/ Incorporated	403	433	30	7%	433	695	262	61%
Inflated Billing	1,584	1,749	165	10%	1,749	2,270	521	30%
Duplicate Billing	159	200	41	26%	200	247	47	24%
Faked/Exaggerated Injury	7,027	8,596	1,569	22%	8,596	9,384	788	9%
Jump-in	982	1,125	143	15%	1,125	1,225	100	9%
Billing for Services Not Rendered	2,166	2,618	452	21%	2,618	2,825	207	8%
Excessive Treatment	3,336	4,204	868	26%	4,204	4,523	319	8%
Prior Injuries	2,098	2,523	425	20%	2,523	2,714	191	8%
Slip and Fall	732	787	55	8%	787	826	39	5%
Solicitation (Chasers and Cappers)	708	699	-9	-1%	699	713	14	2%
Staged/Caused Accident	2,943	2,992	49	2%	2,992	3,029	37	1%
Total Casualty QC Referral Reasons	22,768	26,644	3,876	17%	26,644	29,778	3,134	12%

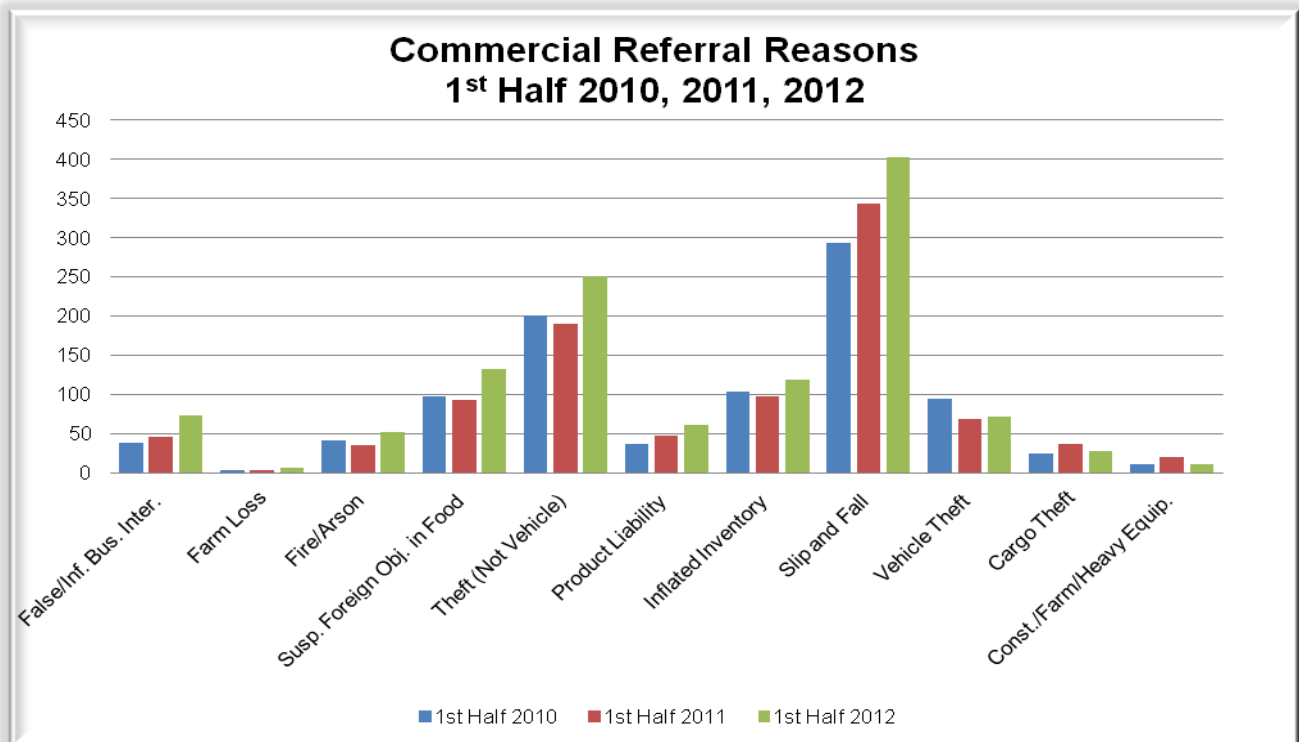
Overall, Casualty QC referral reasons increased 12% from the 1st Half of 2011 to the 1st Half of 2012. Unbundling/Upcoding, Provider/Facility Improperly Licensed/Incorporated, Inflated Billing, and Duplicate Billing respectively topped the above table, and are all referral reasons attributed to the medical provider. Additionally, Faked/Exaggerated Injury (claimant referral reason activity), increased by the highest volume in this category, and for the 1st Half of 2012 accounted for 31.5% of the total Casualty QC referral reasons.



1st Half of 2010, 2011, 2012 Commercial QC Referral Reasons

Commercial QC Referral Reason	1 st Half 2010	1 st Half 2011	Difference	% Change	1 st Half 2011	1 st Half 2012	Difference	% Change
False/Inflated Business Interruption	38	46	8	21%	46	73	27	59%
Farm Loss	4	4	0	0%	4	6	2	50%
Fire/Arson	41	36	-5	-12%	36	52	16	44%
Suspicious Foreign Object in Food	97	93	-4	-4%	93	132	39	42%
Theft (Not Vehicle)	201	190	-11	-5%	190	251	61	32%
Product Liability	37	48	11	30%	48	61	13	27%
Inflated Inventory	103	97	-6	-6%	97	119	22	23%
Slip and Fall	293	344	51	17%	344	402	58	17%
Vehicle Theft	95	68	-27	-28%	68	72	4	6%
Cargo Theft	25	37	12	48%	37	28	-9	-24%
Construction/Farm/Heavy Equipment (Not Theft)	11	20	9	82%	20	11	-9	-45%
Total Commercial QC Referral Reasons	945	983	38	4%	983	1,207	224	23%

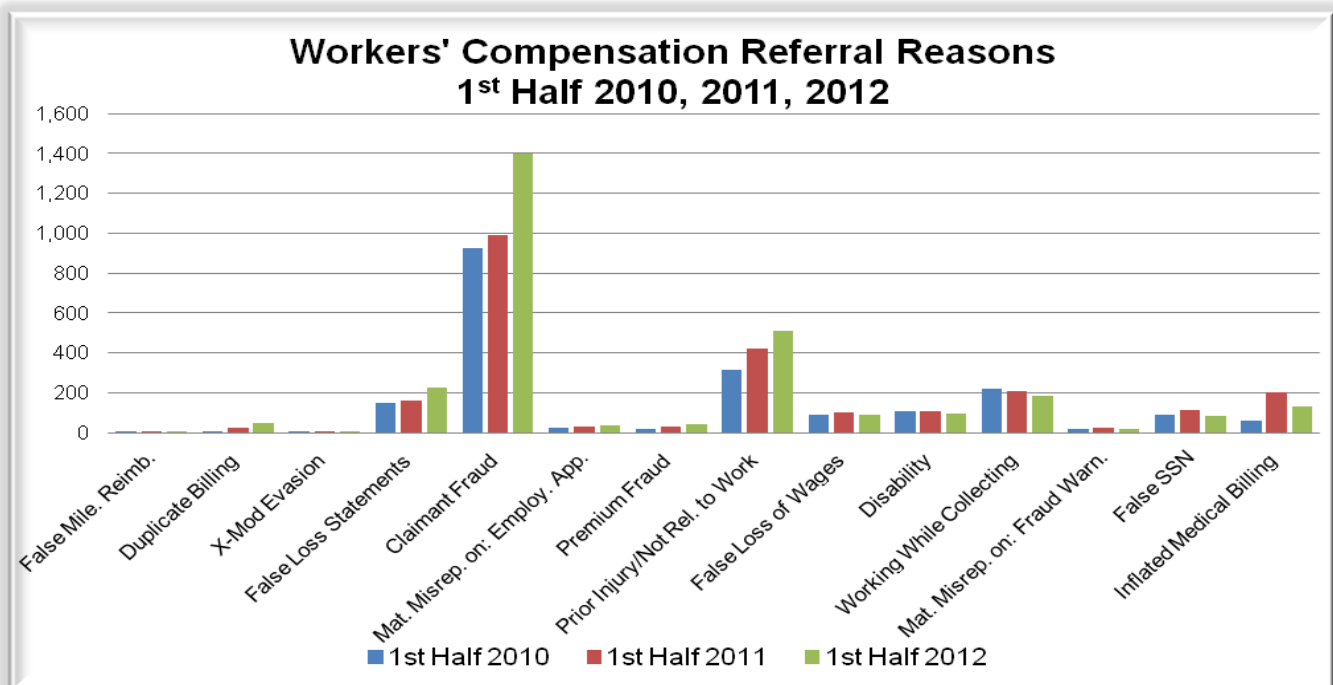
Overall, Commercial QC referral reasons increased by 23% from the 1st Half of 2011 to the 1st Half of 2012. Slip and Fall increased by 17% from the 1st Half of 2011 to the 1st Half of 2012, and notably has the highest volume of referral reasons in the Commercial QC category in the 1st Half of 2012. Cargo Theft and Construction/Farm/Heavy Equipment (Not Theft) both decreased at 24% and 45% respectively from the 1st Half of 2011 to the 1st Half of 2012. Theft (Not Vehicle) had the largest increase in volume in this category.



1st Half of 2010, 2011, 2012 Workers' Compensation QC Referral Reasons

Workers' Compensation QC Referral Reason	1 st Half 2010	1 st Half 2011	Difference	% Change	1 st Half 2011	1 st Half 2012	Difference	% Change
False Mileage Reimbursement	8	2	-6	-75%	2	5	3	150%
Duplicate Billing	8	24	16	200%	24	48	24	100%
X-Mod Evasion	2	1	-1	-50%	1	2	1	100%
False Loss Statements	149	158	9	6%	158	227	69	44%
Claimant Fraud	923	988	65	7%	988	1,396	408	41%
Material Misrepresentation on: Employment Application	26	27	1	4%	27	37	10	37%
Premium Fraud	17	30	13	76%	30	39	9	30%
Prior Injury/Not Related to Work	315	422	107	34%	422	510	88	21%
False Loss of Wages	89	98	9	10%	98	89	-9	-9%
Disability	105	106	1	1%	106	96	-10	-9%
Working While Collecting	221	206	-15	-7%	206	185	-21	-10%
Material Misrepresentation on: Fraud Warning Form	20	22	2	10%	22	18	-4	-18%
False SSN	88	114	26	30%	114	83	-31	-27%
Inflated Medical Billing	58	200	142	245%	200	131	-69	-35%
Total Workers' Compensation QC Referral Reasons	2,029	2,398	369	18%	2,398	2,866	468	20%

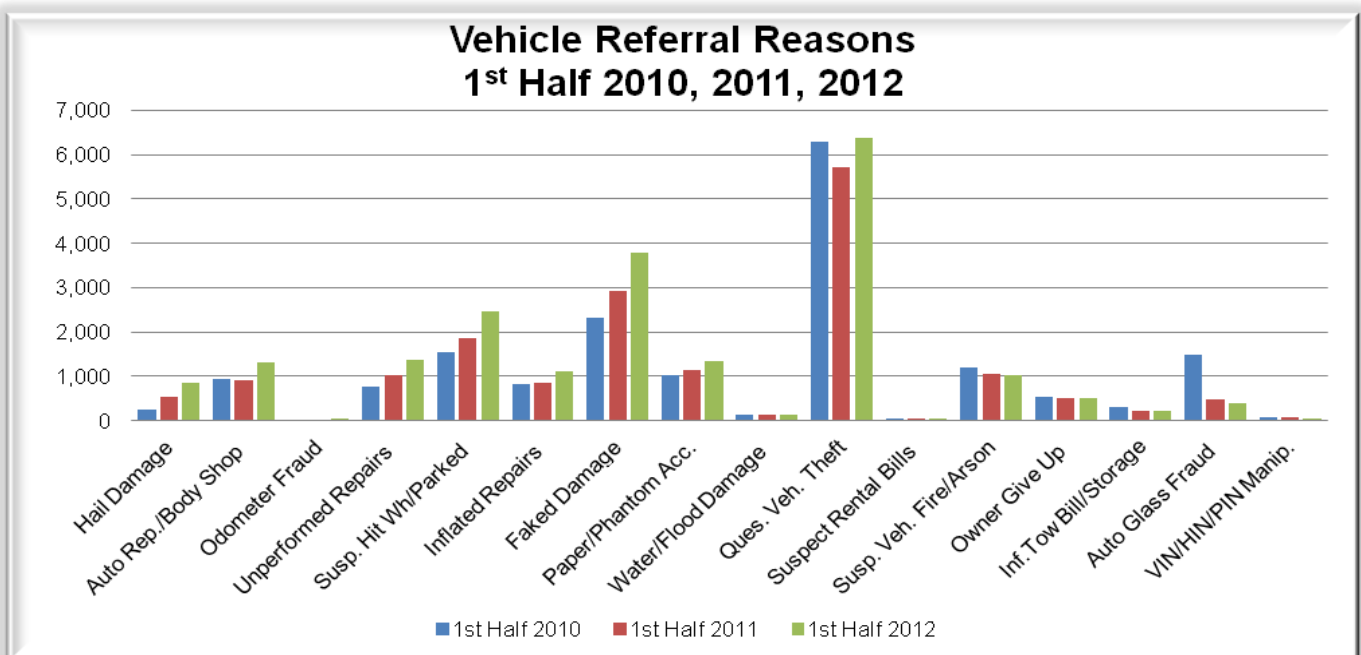
Overall, Workers' Compensation QC referral reasons increased 20% from the 1st Half of 2011 to the 1st Half of 2012. Claimant Fraud had the highest increase in volume in the Workers' Compensation QC category from the 1st Half of 2011 to the 1st Half of 2012, and remains the largest Workers' Compensation QC referral reason by almost triple. Inflated Medical Billing had the largest decrease in volume in this category.



1st Half of 2010, 2011, 2012 Vehicle QC Referral Reasons

Vehicle QC Referral Reason	1 st Half 2010	1 st Half 2011	Difference	% Change	1 st Half 2011	1 st Half 2012	Difference	% Change
Hail Damage	252	527	275	109%	527	866	339	64%
Auto Repair/Body Shop	937	927	-10	-1%	927	1,319	392	42%
Odometer Fraud	26	27	1	4%	27	38	11	41%
Unperformed Repairs	767	1,038	271	35%	1,038	1,381	343	33%
Suspicious Hit While Parked	1,534	1,862	328	21%	1,862	2,469	607	33%
Inflated Repairs	824	862	38	5%	862	1,127	265	31%
Faked Damage	2,319	2,930	611	26%	2,930	3,777	847	29%
Paper Accident/Phantom Accident	1,027	1,135	108	11%	1,135	1,356	221	19%
Water/Flood Damage	128	126	-2	-2%	126	150	24	19%
Questionable Vehicle Theft (Auto, Boat, Heavy Equip.)	6,290	5,719	-571	-9%	5,719	6,381	662	12%
Suspect Rental Bills	47	49	2	4%	49	48	-1	-2%
Suspicious Vehicle Fire/Arson	1,189	1,050	-139	-12%	1,050	1,027	-23	-2%
Owner Give Up	545	522	-23	-4%	522	500	-22	-4%
Inflated Tow Bill/Storage	315	219	-96	-30%	219	209	-10	-5%
Auto Glass Fraud	1,498	495	-1,003	-67%	495	397	-98	-20%
VIN/HIN/PIN Manipulation	90	76	-14	-16%	76	58	-18	-24%
Total Vehicle QC Referral Reasons	17,788	17,564	-224	-1%	17,564	21,103	3,539	20%

Overall, Vehicle QC referral reasons increased 20% from the 1st Half of 2011 to the 1st Half of 2012. Faked Damage experienced a 29% increase, which is notable due to the volume in that category. Hail Damage topped the above chart with a 64% increase from the 1st Half of 2011 to the 1st Half of 2012.



1st Half of 2010, 2011, 2012 Miscellaneous QC Referral Reasons

Miscellaneous QC Referral Reason	1 st Half 2010	1 st Half 2011	Difference	% Change	1 st Half 2011	1 st Half 2012	Difference	% Change
Vendor Fraud	348	315	-33	-9%	315	515	200	63%
Prior Loss/Damage	3,938	4,867	929	24%	4,867	6,023	1,156	24%
Attorney Activities	1,228	1,435	207	17%	1,435	1,760	325	23%
Informant Tip - Anonymous	271	261	-10	-4%	261	316	55	21%
Malingering	690	684	-6	-1%	684	784	100	15%
Agent/Adjuster Fraud	134	152	18	13%	152	171	19	13%
Questioned Documents Altered. Forged, Falsified, Duplicated	1,780	1,984	204	11%	1,984	2,214	230	12%
Lack of Cooperation from Insured	3,852	4,886	1,034	27%	4,886	5,439	553	11%
Extensive Loss History	2,209	2,707	498	23%	2,707	2,996	289	11%
Fictitious Loss	4,304	4,835	531	12%	4,835	5,326	491	10%
Medical Provider/Attorney Relationship	1,286	1,382	96	7%	1,382	1,505	123	9%
Material Misrepresentation in: Recorded Interview/ Deposition / SUO/ EUO	3,629	4,073	444	12%	4,073	4,419	346	8%
Catastrophe (Hurricane, Tornado, Hail, Wind, Fire)	336	429	93	28%	429	465	36	8%
Application Misrepresentation	3,247	3,792	545	17%	3,792	4,081	289	8%
Premium Avoidance	903	1,307	404	45%	1,307	1,376	69	5%
Informant Tip - Law Enforcement	212	164	-48	-23%	164	165	1	1%
Medical Provider	3,134	4,052	918	29%	4,052	3,782	-270	-7%
Organized Group/Ring Activity	1,841	1,734	-107	-6%	1,734	1,541	-193	-11%
Multiple Policies	193	244	51	26%	244	213	-31	-13%
Total Miscellaneous QC Referral Reasons	33,535	39,303	5,768	17%	39,303	43,091	3,788	10%

Overall, Miscellaneous QC referral reasons increased 10% from 2011 to 2012. Vendor Fraud topped the above chart with a 63% increase. Prior Loss/Damage had the highest increase in volume in this category with 1,156 more referral reasons from 2011 to 2012. Medical Provider experienced the largest decrease in volume out of all the categories in this report, from 2011 to 2012; however, this only represented a 7% decrease during this time frame. The referral reasons that are attributed to individual activity (Premium Avoidance, Prior Loss/Damage, Extensive Loss History, Lack of Cooperation from Insured, Multiple Policies, Application Misrepresentation, Fictitious Loss, Questioned Documents, Material Misrepresentation, Malingering) account for 76% of the reasons in this category.

