

Did a theft really occur? RED FLAGS for Vehicle Theft Fraud – a six part series presented by ProNet Group

Part #2

Issues Related to Coverage

Last month we led off the series with Part #1, issues related to loss reporting. This installment of the six part series “Did a theft really occur?” examines red flags related to insurance coverage. Be alert for these situations:

- Reported loss occurs shortly after the policy inception or coverage was increased
- Insured has gap coverage
- Insured presses for a quick settlement
- Loss is reported after cancellation notice

INSURANCE COVERAGE INDICATORS

Reported loss occurs shortly after the policy inception or coverage was increased

Legitimate reasons to change insurance carriers or policy limits are usually associated with a life changing event, such as a first time home purchase or a marriage. Advertising may account for some customers changing to another carrier, but typically, most vehicle owners with top rated AAA or AA insurance carriers do not make a change. A change in coverage on a vehicle owned for a period of time, followed by a reported theft that is recovered burned or submerged, is a red flag for an owner seeking maximum payout on a total loss.

Insured has gap coverage

This is the old “get-out-of-debt-free” card. An owner give-up on a vehicle worth less than what is owed usually results in the owner in worse shape than before; unless the insured has gap coverage. With gap insurance, the insured is able to walk away owing nothing and without financial penalty.

Insured presses for a quick settlement

In these cases, it’s a good bet that the vehicle suffered non-covered damage or mechanical failure. The owner may place the vehicle in hiding and report it

stolen. Claiming to be hard pressed for transportation, the owner pushes to settle. Once payment is received, the vehicle is 'recovered' but found to require significant repairs and the owner wants salvage.

Loss is reported after cancellation notice

In this scenario, a loss occurs after a cancellation notice is issued, but before coverage ends. Or, a reported loss was claimed prior to cancellation date, but the claim was made after the notice was received.

A classic example is, "*I got a letter that says my insurance was cancelled. Well, that car was stolen last week...*"

As mentioned previously, these red flags do not necessarily indicate that fraud has occurred, but these are indicators that warrant investigation. *Kurt Stevens*

Stay tuned for the June issue of *TASIU Observer* as we discuss Part #3: Issues Related to the Vehicle.

For the full article, or if you have any questions or comments, please contact Kurt Stevens with ProNet Group at kstevens@pronetgroup.com, or 800-216-7268. Email and/or phone consultation is encouraged as questions can be quickly answered. Additionally, a course of action may be recommended.

ProNet Group has been providing vehicle forensic consulting and property and vehicle fire O&C investigation services to the insurance industry since 1990, covering the entire state of Texas and the U.S. Gulf Coast Region.