

## **Glossary of Vehicle Insurance Fraud Terms**

**Agent:** A person or business that is empowered to act on behalf of others.

**Anti-Fraud Bureaus:** Government operated agencies dedicated to detecting, investigating and deterring insurance fraud. Fraud bureaus and insurance company Special Investigative Units, or SIU's, work closely with law enforcement and organizations such as the National Insurance Crime Bureau [NICB], which employ valuable analysis and forecasting techniques for the detection and prevention of insurance fraud.

**Application Fraud:** This type of fraud can occur when a vehicle owner mis-states information important to obtaining a policy. For example, using the address of a friend or relative that is closer to their place of work in order to obtain a lower insurance premium, or railing to include young drivers on the application.

**Arranged Arson:** The owner of a vehicle, or a second party engaged by the owner, sets fire to a vehicle in order for the owner to collect on an insurance claim.

**Auto Auction:** Vehicles are sold – in working order, non-operational salvage, or metal scrap – accompanied by the vehicle's title and Vehicle Identification Number [VIN].

**Auto Recycler:** Recyclers may sell vehicles that an insurance company has designated as "totaled", many of which are rebuilt and resold, while some are dismantled for their parts.

**Backdate:** To falsely add a date to a document that is earlier than the correct date for the purpose of deceiving an insurance company.

**Bonded Title:** The title of a vehicle is bonded during the titling process

when the owner has not yet received proof of ownership. In this case “bonding” refers to a surety, or protection, against financial loss.

**Born Again Vehicle:** A stolen or renumbered vehicle that, through the use of a forged duplicate title, a counterfeit title, a manufacturer’s source document showing the Vehicle Identification Number [VIN], or the original title that’s been returned to the U.S. from an illegally exported vehicle, assumes the identity of a vehicle that’s been exported.

**Claim Exaggeration:** Overstating an insurance claim or falsely reporting items stolen from vehicle to make up for the policy’s deductible. Also known as Claim Padding, this type of fraud amounts to millions of dollars each year.

**Cloned Registration:** A stolen vehicle that bears a “replacement” tag obtained by using bone-fide registration information obtained without the vehicle owner’s knowledge.

**Cloned VIN’s:** Found on stolen and renumbered vehicles equipped with a counterfeit VIN that can be found on a legitimate vehicle of the same make and model. Through the use of a forged duplicate title application, with a “transfer” or Registration Only [RO] transaction, the vehicle becomes legitimized.

**Collusion:** Pertaining to insurance fraud, this is the act of two or more parties acting together to defraud an insurance company.

**Counterfeiting:** In the context of vehicle insurance fraud, this refers to forging, altering, copying documents without a legal right to do so for the purpose of deceiving an insurance carrier.

**Dismantled Title:** When one or more of a vehicle’s primary systems is damaged to the point that the cost to repair or replace the components exceeds the vehicle’s fair market value, a “dismantled” title can be issued, thereby allowing it to be used only for parts or scrap, but not to be driven.

**Dummy:** An imitation or representation of the original.

**Dumped Vehicle:** A vehicle that is intentionally disposed of, such as “dumping” it in a river, lake or swamp and later claiming it stolen. Dumping is often resorted to when the owner can’t make car loan

payments and/or is facing a sizeable over-mileage penalty with a leased vehicle. [See Staged Vehicle Theft].

**Duplicate Vehicle Frauds:** Schemes to defraud an insurer using documentation [VIN and title] from a vehicle of the same year and model. [See Cloned Vehicles].

**Duplicate Title Fraud:**

**EPA Label:** Designation commonly used for the Federal Motor Vehicle Safety Standard Certification Label, which is located on the driver's side door post or door jamb. The label includes the VIN number and other important information about the vehicle.

**Export Fraud:** An insured vehicle, which has been purchased or leased, generally with a minimum down payment, is illegally shipped overseas to be sold. It is then reported stolen and the criminals – most likely an organized crime ring – reap large profits from insurance settlements.

**Falsified Theft Reports:** The owner of a vehicle submits a false claim for items reported stolen from a vehicle but, in fact, were not stolen, or exaggerates a claim for items that were actually stolen.

**Faked Accidents:** An event created to intentionally cause damage to a vehicle. For example, a vehicle intentionally stops unexpectedly to cause a rear-end collision with the car behind it. The perpetrator will benefit from the accident through false medical and/or property damage claims.

**Federal Motor Vehicle Theft Law Enforcement Act:** Enforcement Act of 1984, which went into effect with the 1987 model year. The Act requires the use of standardized National Highway Traffic Safety Administration [NHTSA] labels on specified new vehicles and replacement parts. These labels provide valuable information for investigative use.

**Fraud:** Deceit or trickery for gain. In the context of vehicle insurance fraud, a theft of illicit scheme perpetrated for profit by defrauding an insurance carrier.

**Gray Market Vehicles:** Vehicles that do not conform to North American Government safety and emission standards, and whose value is less

than similar models produced for sale in North America. Vehicles of this type are frequently involved in fraudulent theft claims.

**Hard Fraud:** An intentional act committed for the purpose of collecting money from an insurance company.

**Hidden Repair Fraud:** Also known as “Inflated Repair Estimates”.

Working in collusion with the owner of a vehicle, an auto body shop inflates the extent of the damage to cover the deductible. Independent damage appraisals help to eliminate this type of fraud.

**Hit and Run:** Owner of a vehicle with existing damage reports a “Hit and Run” incident in which the vehicle was damaged.

**Insurance Fraud:** The act of deceiving an insurance company for profit.

**Junk Title:** A title issued for a damaged vehicle deemed not be road-worthy, where the cost of repairing the vehicle is in excess of its fair market value, or a title issued for a vehicle declared to be a “Total Loss” by an insurance carrier in another state.

**Mileage Fraud:** Misrepresenting the true mileage of a vehicle by resetting the odometer to a lower setting. [See Odometer Rollback].

**NHTSA Labels:** NHTSA [National Highway Traffic Safety Administration] labels, located on different parts of a motor vehicle, identify major component parts and replacement parts on vehicles designated as “high theft rate vehicles.” Salvage and replacement parts are also included under the labeling requirement.

**Non-Conforming VIN:** A fictitious Vehicle Identification Number that appears to be authentic because of an accompanying counterfeit title.

**Non-Manifested Vehicles:** Vehicles discovered in cargo containers being shipped out of the country that do not appear on a shipping manifest. Such illegal shipments are part of the Export Fraud dilemma.

**Odometer Rollback:** Resetting the odometer to show less mileage than the true odometer reading.

**Owner Give-Up:** The intentional abandonment or destruction of an owned or leased vehicle, which is then reported stolen to collect from an

insurance carrier. Owner give-ups are motivated by a variety of reasons including: owner needs cash, mechanical problems requiring expensive repairs, problems in making car loan, lease or insurance premium payments.

**Paper Accidents:** To cover the cost to repair existing damage, vehicle owner contrives a fictitious accident and files an insurance claim.

**Paper Cars:** Vehicles that exist only on paper, supported by counterfeit titles and other falsified documents.

**Perpetrator:** Individual who commits a crime.

**Phantom Vehicles:** Also known as “Paper Cars”, “phantoms” are, in effect, vehicles that exist only on paper for the sole purpose of defrauding an insurance company. After an insurance policy is obtained, using phony information as to the vehicle’s existence and identification, a dishonest policy owner, or in many cases an organized crime ring, will report the vehicle stolen and file a theft claim with the carrier; to obtain the largest settlement possible, the identities of high-end, high cost, vehicles are used. In states with mandatory pre-insurance inspection laws, this scam has been eliminated.

**Phony Thefts:** Also known as “Owner Give-ups”, the policy owner either abandons an insured vehicle or arranges to have it stolen, for the purpose of collecting on an insurance claim.

**Policy Misrepresentation:** To obtain a lower premium based on the distance traveled between the insured’s home and place of work, the vehicle owner uses the address of a relative or friend, which is closer to the owner’s place of work.

**Policy Six-Pack Scam:** See Multiple Policy Fraud.

**Pre-Insurance Inspection:** The process of having vehicles physically inspected by trained inspectors, at designated inspection sites – and in many cases photographed – as a requisite for obtaining an insurance policy. This effective fraud deterrent is now mandated in a number of states.

Photos: A series of three [or more] photographs or digital images of a vehicle that a) proves that the vehicle exists, b) records its condition,

and c) shows the EPA label, which includes the VIN.

**Premium Fraud:** A term associated with policy owners who provide erroneous or misleading information when applying for insurance coverage, to influence premium cost.

**Premium Retrieval:** Submitting a false or inflated claim to an insurance carrier as a way to recover some of the money that has been paid for insurance coverage in the past. Some policy owners feel that since they have a good driving record and have made no claims for a number of years, they “are entitled to get some of their money back.” Strange as it seems, some otherwise honest people do not consider this as cheating.

**Pre-Existing Damage:** Physical damage that existed prior to the issuance of a motor vehicle insurance policy.

**Property Crime:** As defined in the FBI’s Uniform Crime Reports, 22 October 2001, “Property crime includes the offenses of burglary, larceny-theft, motor vehicle theft, and arson.”

**Rebuilt Title:** This term is associated with a “Salvage Vehicle” that has been restored to operating condition, most likely with refurbished parts. In most states, vehicles of this type must be inspected before it is allowed to be used.

**Red Flag:** An indicator of possible fraud.

**Reported Crime:** Vehicle crime, such as theft, that is reported to a law enforcement agency. In some cases the crime reported, such as vehicle theft, never happened, but was simply the first step in submitting a fraudulent claim to an insurance company.

**Ruse:** A deception; a scheme attempting to make something appear to be other than what it is.

**Salvage Fraud:** Attempt to collect on a fraudulent insurance claim based on a vehicle that has previously been declared a “total loss.”

**Salvage Vehicle:** Vehicle with sufficient damage produced by collision, fire or vandalism, to be declared to be a total loss by an insurance carrier.

**Salvage Switch:** A stolen and renumbered vehicle bearing the Vehicle Identification Number [VIN] of a previously salvaged [total loss] vehicle for which a title was issued based on the title of the salvaged vehicle.

**Scam:** As related to vehicle insurance fraud, a fraudulent scheme devised to defraud an insurance company.

**Scapegoat Theft:** Person claiming that their vehicle was stolen to avoid the consequences for another offense. As an example, a vehicle which has collided with and damaged another vehicle may leave the vehicle and declare it stolen in order not to be responsible for the damage.

**SIU:** Abbreviation for an insurance company Special Investigative Unit which is responsible for investigating fraudulent claims and other vehicle-related crimes.

**Soft Fraud:** A term frequently used to describe subtle mis-statements and erroneous information provided to insurance carriers. Also referred to as “fudging”, soft fraud can be a crime.

**Staged Auto Theft:** For a variety of reasons, such as being behind in car loan payments, in need of cash, or over the mileage allowance on a leased vehicle, policy owner arranges to have vehicle stolen, or disposes of it.

**Staged Accidents:** One or more parties collude to cause an intentional accident to collect on bodily injury or property damage insurance.

**Swoop and Squat:** A planned accident in which a vehicle [vehicle 1 – the “swoop” car] cuts in front of a second member of the scam team [vehicle 2 – the “squat” car] who jams on the brakes, causing the innocent driver behind [vehicle 3] to hit Vehicle 2. The vehicle that was hit [the “squat” car] will submit a claim for property damage, and in many cases, bodily injury claims for the vehicle’s occupants.

**Theft Report Falsification:** Vehicle owner falsifies the value of items taken in a reported burglary to collect from an insurance company. In some cases no burglary occurred, in others a burglary took place but the claim was exaggerated.

**Thirty-Day Special:** A vehicle in need of extensive repairs is reported stolen and kept hidden for the 30-days needed to process and collect on an insurance claim to be processed and paid [time may exceed 30 days]. Some time after the claim is paid the original owner dumps the car, which may ultimately be found. During this time the perpetrator of the scam obtains a new vehicle; the original vehicle, if found, becomes the property of the insurance company.

**VIN:** Abbreviation for Vehicle Identification Number, a 17-digit number which is, in essence, a vehicle's birth certificate. The VIN identifies the physical characteristics of each vehicle, including information about the manufacturer, year, model, body type, engine, and serial number.

**Washed Title:** Title based on materially false or fictitious information.