



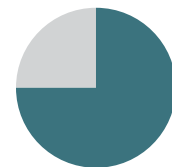
Using an Eye in the Sky to Keep an Eye on Fraud

Natural disasters can easily destroy a community. Insurance companies are there to pick up the pieces. But what happens when insurers become the victims?

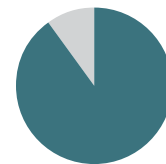
In the aftermath of a natural disaster—such as a hurricane, tornado, or wildfire—communities focus on the long task ahead of rebuilding and restoring their neighborhoods and impacted areas. Insurance organizations become a key player and partner in the recovery and restoration efforts, helping get their customers back on their feet as quickly as possible.

But along with clean up and rebuilding, a new threat to insurers can often occur: fraudulent claims. According to a 2019 study* released by the Coalition Against Insurance Fraud and the SAS Institute, nearly 75% of survey participants said fraud had increased either significantly or slightly over the past three years, an 11-point increase from the previous study. No insurer indicated fraud was decreasing.

The same study indicated that 90% of respondents said they primarily use technology to detect claims fraud. Vexcel serves as the Operations Partner for the Geospatial Insurance Consortium, an initiative of the National Insurance Crime Bureau (NICB), which provides a way for insurers of all sizes to benefit from the use of aerial imagery, both current and historical, in order to root out fraud and protect their book of business.



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Marco Island, Florida | Sept 2017

Citizens Property Insurance Corporation: NICB member since 2007 / GIC member since 2019

In 2017, Joseph Theobald, Sr. Director for SIU at Citizens Property Insurance, was enmeshed with a host of claims following Hurricane Irma in the Florida Keys. Citizens holds at least 60 percent of all personal lines policies in the area, so it was critical they had access to current, high-resolution imagery to expedite the discovery and claims process. Enter in the GIC.

"We have struggled in the past with obtaining prompt, quality post-catastrophe imagery," shared Theobald. "Combine that with difficulty physically accessing the Keys, so we needed a way to very quickly view the impacted areas from the air following landfall. So, I took a chance on the GIC and suddenly we had something valuable that could immediately impact our ability to assess property conditions and benefit our insureds."

Since the GIC provides post-disaster imagery within 24 hours of collection, Citizens was able to help expedite processing their insured's claims more efficiently and effectively and

allow them to begin researching the extent of the storm damage. "We were able to conduct forensic research utilizing the pre and post-event images of the areas impacted by Irma. This allowed us to research claims and evaluate the effect of flooding and determine outliers. The GIC's imagery made it easier to differentiate the more heavily damaged areas from those with minimal impact."

"Using the tools within the GIC site, our Claims staff were able to see a property up close and quickly identify if all that was left was a slab of a house foundation. If that was the case for one of our insureds, we were able to issue checks within days to our customers," shared Michael Peltier, Media Relations Manager for Citizens. "In some cases, we were able to inform policyholders before they even knew there was damage to their home, given the limited access to the area following the storm and since some of the properties in the area are seasonal homes and did not have residents at the time."

Uncovering Fraud with GIC Imagery

Massive damage following a major natural disaster opens the door to the possibility of insurance fraud. Add to that the ability to file a claim several years after a disaster and insurance companies can be at great risk of processing falsified claims. The Special Investigations Unit (SIU) of any insurance company helps detect, prevent, and report insurance fraud.

When it comes to Citizens' SIU, Theobald is an expert on the subject. He shared how difficult it can be for an SIU to identify, track, and work to prevent fraudulent claims from occurring. "One of the biggest challenges when it comes to SIU and catastrophe (CAT) response is that there is generally a high volume of claims in a short amount of time. With SIU, a systemic issue can be that the ratio of investigating CAT related claims vs. non-CAT is not proportional; it's maybe on average somewhere between 2-4% of property claims."

Fraud surrounding a disaster event tends to occur as you get further and further away from the epicenter of the storm. It's not unusual to see an increase in attorneys, adjusters, and third-party representatives knocking on doors and

encouraging homeowners to file a claim and attribute it to a storm, hoping to game the system and get insurers like Citizens to pay out.

"This is why having aerial imagery is so effective for us," mused Theobald. "The only thing I have in our toolkit for an investigation into fraud like this is the GIC. Where else am I going to find historical photos, both pre and post event, for comparison to look back on?"

The ability to look at what existed prior to the storm, what happened during the storm, and what the state of the property is today is all made possible with aerial imagery provided by the GIC. For Citizens, it was a time saver to be able to type in an address and pull up multiple images of a property for comparison, especially as claims kept rolling in daily for nearly three (3) years after Hurricane Irma.

The Advantage Against Fraud

With claims continuing to roll in, right up until the statutory deadline submission date, Theobald counted on aerial imagery from the GIC to verify the validity or fraudulence of each claim. It was especially helpful when it came to those involving roof damage.

"There's always a challenge when it comes to evaluating or actually getting on a roof to inspect for any damage or destruction," shared Theobald. "You can't really tell when it occurred—it could've been a couple of years ago or it could've

happened yesterday. The avenues open to investigating roof damage are very limited. The best advantage we have is access to the GIC's imagery so that we can compare previous images to determine if it's a damaged roof due to a catastrophe or not a damaged roof, tarp or not a tarp."

"The imagery from the GIC is invaluable because we can easily pull up and see what it was before and see what it is now. And because we have multiple images to view, it's easier for us to make a determination because photos don't lie."



Images captured post Hurricane Irma show no damage to these rooftops. Citizens was able to use these images as proof of no damage after claims were submitted for repairs.

Operation Crossing the Rubicon

During the time Citizens' SIU was scrutinizing claims from Hurricane Irma, the Miami-Dade Police Department had an active investigation into insurance fraud schemes.

Dubbed "Operation Crossing the Rubicon," the investigation was a multi-department effort led by a South Florida Task Force comprised of the Miami-Dade Police Department and State Fire Marshal's Office representatives with the participation of SIU representatives from Citizens and two other carriers.

Aerial imagery from the GIC played a large role in providing key evidence during the year-long investigation that ultimately exposed and dismantled a criminal network engaged in an elaborate \$2.5M property claim fraud scheme.

One claim associated with the scheme asserted high winds and rain associated with Hurricane Irma caused major damage to a tiled roof. A Citizens adjuster met with the insured and public adjuster to review the loss and examined the damage, noting staining visible through the interior ceiling. With no reason to suspect anything other than a valid claim, an estimate of damage was prepared which included a complete tile roof replacement.

After working with law enforcement and noting that the same public adjusting agency was part of this particular roof claim, Citizens' SIU took a closer look and pulled up aerial photos of the roof in question. They quickly discovered that an image taken just seven (7) days after Hurricane Irma made landfall showed zero damage to the insured's roof.

The homeowner and public adjuster associated with this claim were subsequently arrested. In total, Operation Crossing the Rubicon led to the arrest of 49 individuals, including the public adjusting firm, insurance appraisers, contractors, and an insurance agent.

"We provided over 100 cases as part of this investigation, identifying where insureds, the public adjuster, the insurance agent—all of these individuals were coordinating and planning the staging of the claim. It helped expose how word spreads, how insureds get involved, and how it expands," said Theobald.



The Benefits of GIC Participation

Citizens, like all insurance carriers, is always on the lookout for ways to improve their internal processes, reduce costs, and use the best available tools to protect their book of business.

"One thing that participation in the GIC has really helped us with is in our triage of incoming referrals. When a newly reported claim comes in, we automatically check ISO, our own claim history, and then the third rung is the GIC. It's the game changer for us," said Theobald.

Beyond the initial triage of claims, access to GIC imagery has helped improve the percentage of claims Citizens could review with accuracy and confidence. In non-CAT claims, most companies might only investigate 2–4%, and with CAT, it's even slimmer. But by utilizing the rich image library of the GIC, Citizens is noticing their rate of CAT investigations moving closer to those of non-CAT.

"We are one of the largest Florida carriers that cover homeowners across 1350 miles of coastline throughout the

peninsula," shared Theobald. "As a not-for-profit that provides insurance to Florida homeowners exclusively who are unable to obtain coverage in the open market, we are required to make the greatest use of the resources available to us. Our policies are often older homes, condos and commercial risks that have the greatest exposures to these damaging storms. To have the images and open communication with the GIC to ask them to fly certain areas, that just means the world to us. It's really improved our response process to our customers and is a key part of our catastrophe response plan with regard to expediting customer service as well as monitoring for fraud."

"There are limited options when it comes to finding something similar to the GIC," shared Theobald. "With how fast they get planes in the air and deliver back a high-resolution product, that helps us get the most out of our own resources. For us, it's the ultimate source for imagery, and that's why it's so valuable."



THE GRAY SKY ADVANTAGE

It's what sets Vexcel apart

When it comes to responding to customers after a disaster event, having access to accurate, reliable imagery is a critical need for insurers. The Gray Sky program offered by Vexcel is the most comprehensive in the industry, delivering real ground truth after a tornado, hurricane, and wildfire events. And customers can access imagery typically within 24 hours after wheel down on our aircraft. It's the must-have program to stay competitive and be proactive towards your customers' needs.

VEX-523-10-01-2024

RAPID RESPONSE

Speedy access to Gray Sky imagery after an event



U.S. population covered with oblique imagery

900+

Cities with ultra-high resolution, oblique imagery



Learn more about how Vexcel supports innovation for insurers at vexceldata.com/insurance.