

VIRGINIA STATE POLICE
INSURANCE FRAUD PROGRAM



2013 Virginia Statewide Study on Insurance Fraud

**Conducted for
Neathawk Dubuque & Packett
by
C. David Shepherd, Ph.D.**

**Neathawk Dubuque & Packett
on behalf of
Virginia State Police Insurance Fraud Program
2013 Virginia Statewide Study on Insurance Fraud
July, 2013**

This report summarizes a study conducted for Neathawk Dubuque & Packett on behalf of the Virginia State Police Insurance Fraud Program by C. David Shepherd, Ph.D. during the months of June and July of 2013. The primary purpose of this study was to investigate perceptions held by the general adult population of Virginia concerning insurance fraud and to assess the awareness of the Virginia State Police Insurance Fraud Program in that population. An additional goal was to compare the results of this study with a benchmarking study conducted in 2000 and replicated in 2005. Consistent with the previous studies, the key issues addressed in this study include:

1. Evaluation of fraudulent behaviors
2. Perceived prevalence of fraudulent behaviors
3. Knowledge and awareness of insurance fraud
4. Personal experience with fraud
5. Likelihood of reporting suspected fraud cases
6. Awareness of the Virginia State Police Insurance Fraud Program

Research Methodology

Subjects

A total of 400 adult (18 years of age and older) respondents participated in this study. This was a statewide sample of respondents representing all four regions of the state of Virginia (Tidewater, Northern, Central and Western). Potential respondents were eliminated from participation: a) if the respondent, or anyone in his or her household, was an insurance regulator or employed by the insurance industry, or b) if the respondent, or anyone in his or her household, was employed by a local, state, or federal law enforcement agency.

Questionnaire

To facilitate comparison with the previous studies, the research instrument used in this study was a slightly modified version of the research instrument used in the previous studies. The modifications were necessary to allow the study to be administered via the Internet (the previous studies were conducted in a telephone interview format).

Data Analysis

Comparisons across demographic groups were made using the appropriate statistical tests (generally chi square, t-test, or ANOVA) using the customary .05 alpha levels. The margin of accuracy in this study for the total sample of 400 respondents is plus or minus 4.9%. In other words, it is estimated that if this study were repeated 100 times, in 95 of those cases the percentage giving a particular answer would be within +/- 4.9% of the percentage giving that answer in this study.

Crosstabulations

Throughout this report, significant variation in the results across demographic categories is noted. These comparisons were made using a technique known as crosstabulation or simply crosstabs. The crosstabulation technique involves building contingency tables in which columns represent the variable of interest (e.g. single versus married, male versus female). Depending upon the nature of the data several statistical analysis tools, including chi-square, t-tests, and analysis of variance (ANOVA), are used to test for significant variation in responses across these characteristics. The actual contingency tables used in this these analyzes are available in additional reports.

In some cases demographic categories were combined to make the comparison across groups more meaningful. For example, the cross-tabulation across marital status was conducted simply comparing married versus single respondents (not married versus single, divorced, widowed, or separated). Categories were combined in this manner for the cross-tabulation across marital status, income, age, and education.

Executive Summary

Virginians continue to grow less trusting of others. In the 2005 study, six in ten felt that “most people try to be fair.” In the current study that number has declined to four in ten. More dramatically, the number of those believing that “most people can be trusted” has declined from 40% to just 16%. Lower educated and younger respondents tend to be less trusting than others.

Fewer Virginians believe that people should always obey the law. The previous studies were consistent with almost six in ten respondents believing that individuals should “always obey the law.” In the current study, that number has declined to fewer than four in ten. Conversely, the belief that individuals should “follow their conscience” has increased from approximately one-third in the previous studies to over half of the respondents in the current study. Married, older, and middle-income respondents were more likely to feel that one should “always obey the law,” while younger and higher income respondents tended to believe individuals should “follow their conscience.”

Fewer Virginians believe that morality is a personal matter. Those strongly disagreeing with the belief that “morality is a personal matter” and that “right/wrong is a matter of personal conscience” has essentially doubled since the previous study. Singles were more likely to see right and wrong as a matter of personal conscience.

The belief that certain behaviors are “always wrong” is eroding. In the 2005 study, it was suggested that the perceived seriousness of fraudulent behaviors relates to the consequences of that particular behavior. That conclusion continues to be seen in the current study. However, only the two behaviors that could be deemed the most serious: “using someone else’s credit card,” and “working with a doctor to stage an accident” continue to be seen as “always wrong” by almost all respondents (90%+). Conversely, every other listed behavior saw declines in the percentage believing the behavior to be “always wrong.” Married respondents tended to be more likely than singles to continue to view most of these behaviors as always wrong.

More serious fraudulent behaviors continue to have a lower perceived rate of incidence. As with the previous studies, behaviors that could be deemed more serious, such as “using someone else’s credit card,” are perceived to have less frequent incidence than less serious behaviors, such as “sneaking food/drink into a movie theater.” While the perceived incidence of these behaviors has tended to be very consistent across studies, the perceived incidence of two of the most serious behaviors, “working with a doctor to stage an accident” and “using someone else’s credit card” declined in the current study, while the perceived incidence of the less serious “sneaking food/drink into movie” increased.

Lying to a police officer to avoid a speeding ticket continues to have the highest perceived rate of incidence. While in the current study almost six in ten believe that “lying to a police officer to avoid a speeding ticket” is always wrong, this behavior has had the highest perceived rate of incidence in all three studies.

Knowing someone who has committed a fraudulent act has remained consistent. The 2005 study displayed increases in the number of Virginians knowing someone that had committed several selected fraudulent behaviors. The 2013 study results were relatively consistent with the 2005 study. In fact, the only behaviors that display an increase of over 5% are “sneaking food/drink into a movie” (13%), and “over-estimating charity contributions (7%).” Conversely, “claiming that a non-work injury happened on the job” declined by 12%.

Fewer Virginians perceive insurance fraud as universally harmful. While the percentage believing insurance fraud hurts the insurance company involved increased 11% from 2005 until 2013, the perceived harm to all other entities actually declined (i.e., all insured by the insurance company, all with the same type of insurance, the person committing the fraud, and everyone, including self). Older respondents were more likely to see insurance fraud as universally and personally harmful.

Fewer Virginians perceive insurance fraud impacting their premiums. While the previous two studies were very consistent with 90+ percent of the respondents believing that insurance premiums are higher because of fraud, the percentage dropped to 84% in the current study.

Virginians often see insurance fraud as inflating or falsifying claims or faking injury and accidents. These were also the leading responses seen in the previous two studies.

Reversing a trend, fewer Virginians are very likely to report suspected cases of insurance fraud. From 2000 until 2005 the percentage very likely to report suspected cases of insurance fraud grew from 35% to 48%. In the current study, that percentage declined to only 29%. The youngest respondents (18-34) and females were least likely to report suspected cases of insurance fraud.

Consistent with the previous study, Virginians are most likely to report suspected cases of insurance fraud to either the insurance company or to the police. In fact, two-thirds of the respondents indicated that they would report the suspected fraud to the insurance company or to the police (or both). A sizeable segment of the respondents (20%) indicated that they did not know how to report suspected insurance fraud.

The primary reason Virginians would not report suspected insurance fraud is lack of proof. By its very nature, suspected insurance fraud does not suggest the possession of conclusive proof of insurance fraud. Many respondents were not willing to negatively impact someone else’s life without conclusive proof of the fraud.

Awareness of the Virginia State Police Insurance Fraud Program is limited and declining. While 12% of the Virginians participating in the 2005 study indicated awareness of the Virginia State Police Insurance Fraud Program, that percentage declined to only 7% in the current study.

Key Implications

1. Virginians are becoming less trusting of others and authority.
2. Insurance fraud continues to be most often associated with: a) falsifying or inflating claims, and b) faking injuries and accidents.
3. Few Virginians have personally been a victim of insurance fraud.
4. Fewer Virginians believe they are personally impacted by insurance fraud.
5. Fewer Virginians are very likely to report suspected cases of insurance fraud.
6. Awareness of the Virginia State Police Insurance Fraud Program is very low.

C. David Shepherd, Ph.D.

C. David Shepherd received his Ph.D. in marketing, with a minor in psychology, at the University of Tennessee. Dr. Shepherd currently serves as Professor of Marketing in the Department of Marketing and Logistics at Georgia Southern University. In recent years, Dr. Shepherd has also served as interim department chair and founding director of the selling centers at both Georgia Southern and Kennesaw State University. Before beginning his academic career, he worked in sales and sales management positions in the information technology industry.

Dr. Shepherd's work has appeared in a broad range of academic publications, including the *Journal of Retailing, Psychology and Marketing, Journal of Personal Selling & Sales Management, Journal of Selling and Major Account Management, Journal of Marketing Theory and Practice, Journal of Business & Industrial Marketing, Journal of Health Care Marketing, Marketing Health Services, and the Journal of Hospital Marketing and Public Relations*. Additionally, Dr. Shepherd is co-author of *A Marketer's Guide to Marketing Research: A Strategic Approach to Market Research*, and a series of invited articles on the use of the Internet in hospital marketing that appeared in *Marketing Health Services*.

Dr. Shepherd is currently serving on the Editorial Review Boards of the *Journal of Personal Selling & Sales Management, Journal of Marketing Theory and Practice, American Journal of Business, and the Journal of Selling and Major Account Management*. Dr. Shepherd has been active in numerous leadership roles in professional organizations, including Program Chair and Communication Chair for the American Marketing Association's Sales Special Interest Group and Executive Director of the National Conference on Sales Management.

Dr. Shepherd has provided consulting and research for a wide range of organizations including Children's Healthcare of Atlanta, Erlanger Health System, UT Medical Center, Chattanooga Metropolitan Airport, Olan Mills Portrait Studios, Community Memorial Healthcenter, Georgia Regents Health Medical Center, as well as Neathawk Dubuque & Packett.

Dr. Shepherd and his son, Chaz, reside in Statesboro, GA. Along with their love for football (Go Vols) and basketball, David and his son enjoy biking, hiking, and many other outdoor activities.