

COMPARISON WITH 1997 NATIONAL SURVEY OF PUBLIC ATTITUDES TOWARD INSURANCE FRAUD¹

The 1997 National Survey of Attitudes Toward Insurance Fraud, allows for a comparison between Virginians' attitudes and those held nationally by a representative sample of Americans. Although few questions are replicated perfectly, it is possible in many cases to make substantive comparisons that place Virginians' opinions in a broader context.

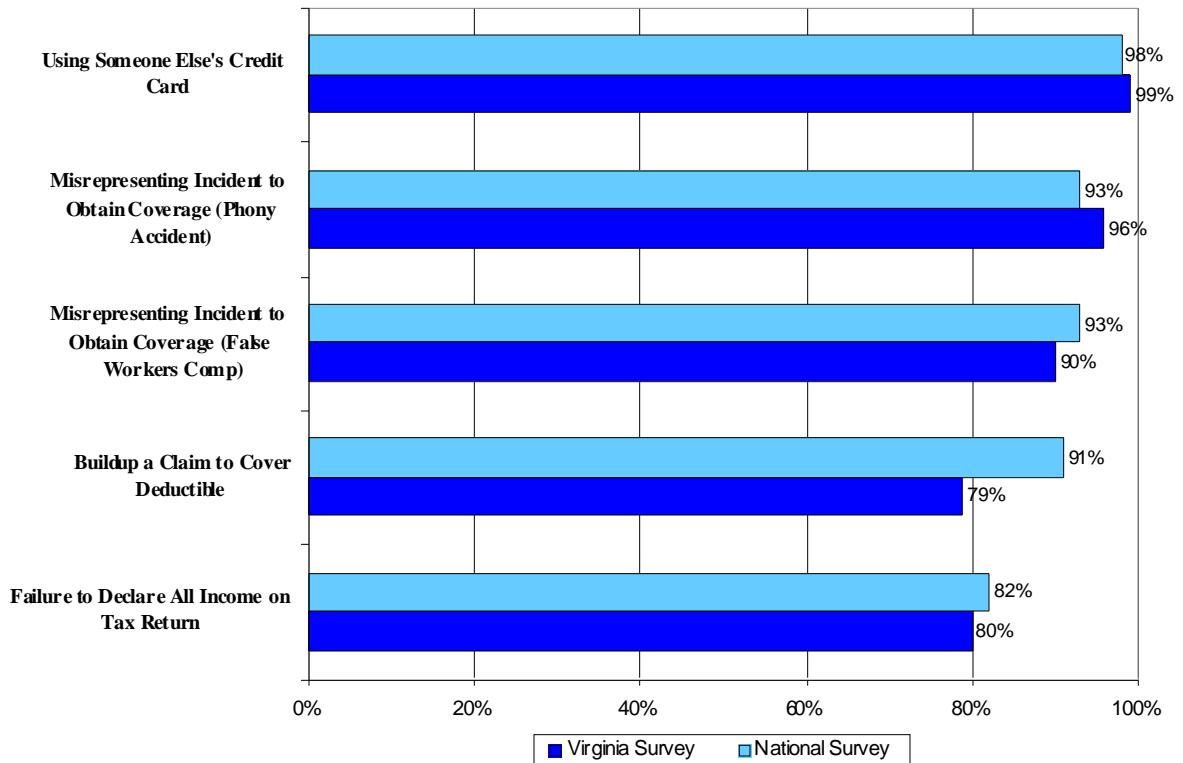
Evaluation of Behaviors

1. Virginians' evaluations of behaviors are similar to those found across the United States. The 1997 national survey asked respondents to evaluate four behaviors in terms of a 10-point scale ranging from completely unethical (1) to completely ethical (10). Three of these behaviors closely mirror behaviors evaluated in the Virginia survey. Practically all respondents in the national survey claim that using someone else's credit card is unethical (based on ratings of 1, 2, or 3 on the 10-point scale). By comparison, virtually all Virginians state that using someone else's credit card is "always wrong" (98% vs. 99%). Another behavior involves misrepresenting an incident in order to obtain insurance coverage. More than nine out of ten respondents in the national survey believe this behavior is unethical (93%). The survey of Virginians asked about two related, but more specific, behaviors. Nearly all Virginians condemned working with a doctor to stage a phony car accident as being "always wrong" (96%). Perhaps closer to the behavior evaluated in the national survey is claiming that a non-work related injury actually occurred on the job. Virginians were slightly more tolerant of this behavior, though nine out of ten still found this to be "always wrong" (90%). Both surveys asked about failing to report all income on a tax return. Nationally just over eight out of ten indicate this behavior is unethical compared to a nearly identical percentage of Virginians who say the behavior is "always wrong" (82% vs. 80%). Finally, the national survey asked respondents about "submitting a claim for more than the damage." Nine out of ten national respondents find the behavior unethical (91%). The Virginia survey asked about a more specific behavior--inflating the amount of an insurance claim to cover the deductible. Only four out of five Virginians suggest that this behavior is "always wrong" (79%).

¹ The study was sponsored by the Coalition Against Insurance Fraud and consists of a random sample of 602 heads of households 18 and over living in the United States. For more detailed information see the official study report, "Four Faces: Why some Americans do -- and do not -- tolerate insurance fraud."



Chart 19: Comparison of Behavior Evaluations

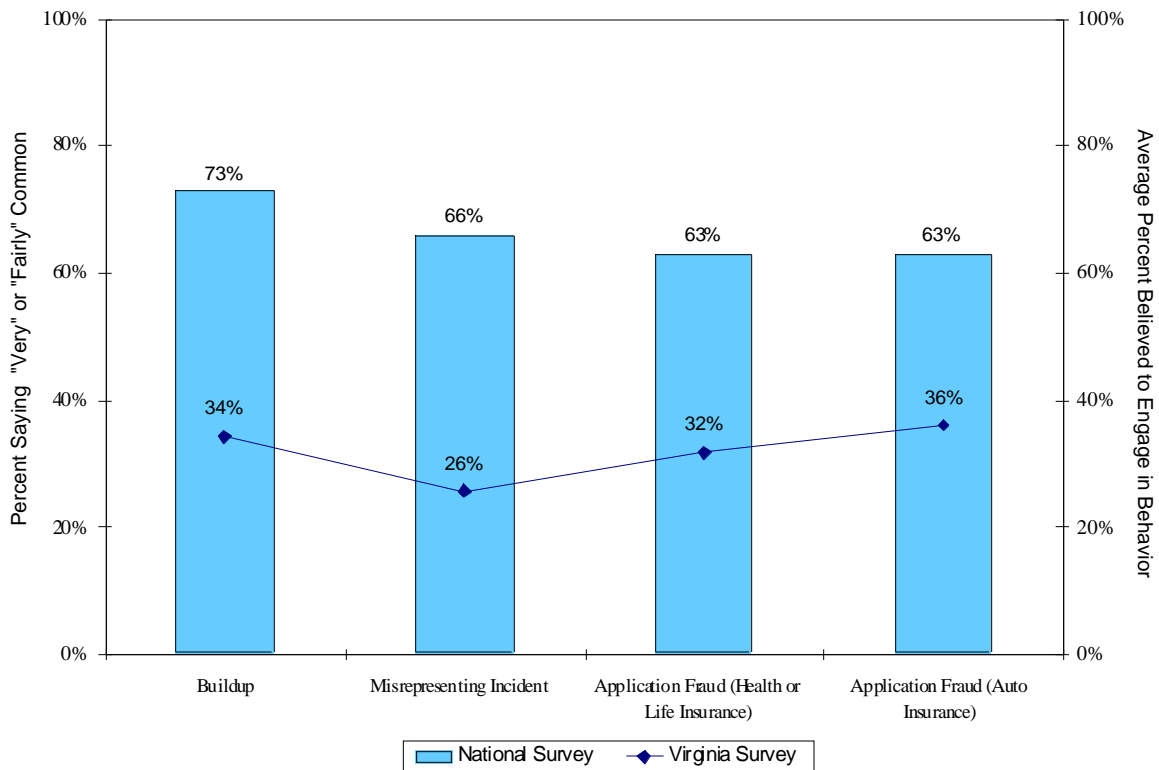


2. Virginians appear to believe fraudulent behaviors are less common than do people across the United States. In addition to evaluating selected behaviors, respondents in the 1997 national study were asked to rate how common they believed fraudulent behaviors were. The Virginia survey asked about the prevalence of three of these behaviors. According to the study report, nearly three-quarters of all respondents in the national survey believe inflating a claim to cover a deductible is either fairly common or very common (73%). Two-thirds reportedly believe that misrepresenting an incident in order to obtain insurance coverage is common (66% saying either "fairly" or "very" common). More than three out of five believe misrepresenting facts on an insurance application to obtain either coverage or a lower rate is relatively common (63% say it is "fair" or "very common"). Instead of a rating scale based on "very common," "fairly common," etc., the Virginia survey asked respondents to estimate the percentage of people who they believe engage in particular fraudulent behaviors. Though the two response scales are not comparable, it is possible to compare the relative ranking of the three behaviors in terms of their perceived prevalence. Virginians perceive "buildup" or inflating a claim to cover the deductible, as the most prevalent fraudulent behavior. On average, Virginians suggest that one-third of those filing claims actually inflate the claim in order to cover the deductible (34%). Application fraud is seen as being equally prevalent with Virginians estimating that on average one out of three people applying for either health insurance or life insurance provide inaccurate information (32%). However, if we look at the proportion thought to underestimate the distance traveled to work



when applying for auto insurance in order to get a lower rate, respondents estimate that more than one-third commit this sort of fraud (36%). In Virginians' minds, misrepresenting an incident in order to obtain coverage for something not covered is the least common of these three forms of fraud. Respondents estimate that only about one out of four employees filing for workers compensation actually claim a non-work related injury (26%). This ranking of behaviors in terms of perceived prevalence yields slightly different lists for the Virginia and national surveys. Part of this difference is likely due to the increased specificity of the Virginian items. Whereas the national survey used broad descriptions of particular types of insurance fraud, the Virginia items offered specific descriptions of fraud acts which fall under the broader types described in the national survey. It is likely that respondents' perceptions of one specific act of a broader type of fraud does not necessarily reflect their perceived prevalence of the entire fraud type.

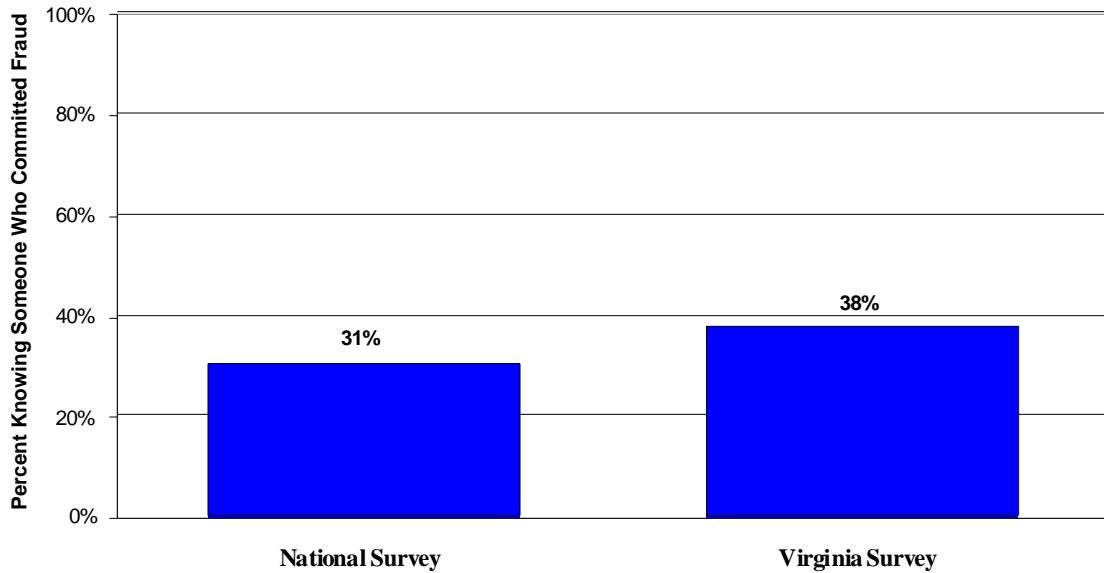
Chart 20: Comparison of Perceived Prevalence of Behaviors



3. Virginians are more likely to have personal experience with fraud behavior. Fewer than one out of three respondents in the national survey on insurance fraud report knowing someone personally who has committed fraud compared to almost two out of five respondents in the Virginia survey (31% vs. 38%).



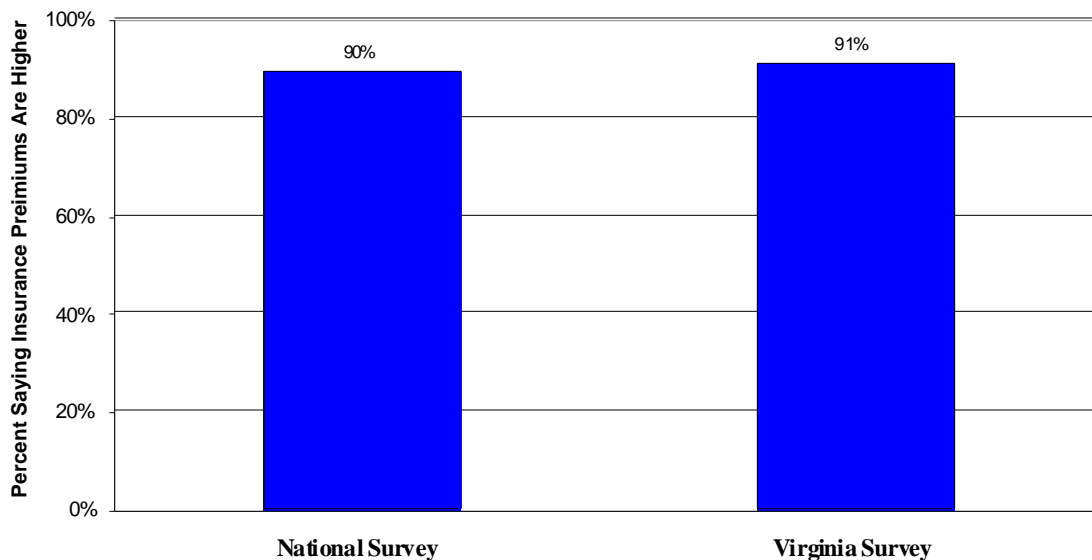
Chart 21: Comparison of Personal Experience with Fraud



Knowledge of Insurance Fraud

1. Nearly everyone believes insurance premiums are higher because of insurance fraud. Nine out of ten respondents in both surveys say they believe they are paying more for insurance because of insurance fraud (90% of national survey vs. 91% of the Virginia survey).

Chart 22: Comparison of Beliefs about Impact of Fraud



Likelihood of Reporting Fraud

1. Virginians are less likely than those in the national survey to say fraud is "none of their business." The 1997 national survey asked respondents who knew of an incident of fraud if they had reported the incident. Fewer than one out of five said that they did. Of the non-reporters, two out of five say they didn't report the incident because it was "none of their business" or because they "didn't want to get involved" (40%). Among Virginians, roughly three out of ten respondents who indicated they were not "very likely" to report someone they suspected of committing fraud, indicated their reason was that it was "none of their business" or they "didn't want to get involved" (29%). The second most frequent reason offered in the national survey was that the incident involved a friend or family member. Approximately one out of seven respondents offered this as their reason (14%). In the Virginia survey, only one out of ten who said they were not "very likely" to report a case of fraud suggested they wouldn't do so if the incident involved a friend or family member (10%). Virginians appear much more concerned about having evidence of the fraud. One out of six said lack of evidence was the main reason they wouldn't report someone they suspected of fraud (17%). In the national survey, only about one out of eight said this was why they didn't report the incident of fraud (12%).

Chart 23: Comparison of Reasons for Not Reporting Insurance Fraud

