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STRATEGIES FOR SUCCESSFUL RESOLUTION



FOLLOWING NEW DATA TRAILS

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Keyboards Instead of Your Heels**

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FOLLOWING NEW DATA TRAILS

When It Comes to Claims Investigations, Click Your Keyboards Instead of Your Heels

By Matthew J. Smith

The certainty of death and taxes is equaled only perhaps by the use of banking and financial records for insurance investigations. How we view those records is changing in this new millennium. Traditionally, ending balances determined financial health, while overdrafts demonstrated hardship. While such information is insightful, financial records now provide much more useful data if we are willing to look behind the curtain.

The Cashless Economy's Trail of Data

Buying only what you can afford with cash may be fiscally sound, but cash leaves no trail. After years of predictions, the end of cash may be near. A recent study revealed millennials are now using "plastic" to pay for items such as gum and fast food more frequently than cash. Younger persons stress that the convenience of using a credit card surpasses the worry and effort of carrying cash. While a card may cause a delay at the checkout counter, consider the myriad of advantages its data trail leaves behind as a tool for claims investigations.

Each electronic transaction creates evidence. From being able to pinpoint the exact time and location of a purchase and, correspondingly, the whereabouts of the person who made the purchase by using photographic or video records, the evidence we find may be surprising. Many insurance

investigators still are looking at banking and financial records only for the balances and not the data trail behind the numbers.

Any purchase made electronically leaves an evidence trail. The simplest of the electronic transactions involve the use of debit cards in which payment is transferred immediately from the cardholder's designated bank account. Most debit card transactions in the U.S. use the electronic funds transfer at point of sale (EFTPOS) system, also known as an online debit or personal identification number (PIN) debit. Offline debit, also known as signature debit, frequently occurs at the physical location of a retailer where a signature is required. The third type of debit relies on an electronic purse card system and is more frequently found in Europe. Most debit cards, however, are able to operate on all three platforms simultaneously.

While debit cards normally are tied to a financial account from which funds are withdrawn, prepaid debit cards often are used by those who do not rely upon traditional banking institutions. Some prepaid debit cards may be disposable, while others are reloadable. Tracing transactions from debit cards not tied to financial accounts is more difficult. However, records may still exist. Many government institutions, including the U.S. federal government, use prepaid debit cards to pay benefits to persons without bank accounts. One question frequently overlooked is whether individuals receive

any type of local, state, or federal assistance payments via debit transactions.

Investigators also must determine all debit cards a person may have available for use. According to the U.S. Census Bureau, there are more than 185 million debit card holders in the U.S. alone. However, Americans have 484 million debit card accounts. Simple math tells you that this equates to slightly less than three debit accounts for every cardholder.

When you consider that every time a debit card is used there is electronic evidence of where the purchase was made and the exact time and location of the purchase, it is easy to see how cross-referencing data can build a matrix of a person's whereabouts surrounding the time of an event or loss. Tracing purchase locations and mapping the date and time may show whether a person was physically traveling about or disabled due to an alleged injury. Key components include verifying whether the debit card was in the possession of the cardholder and whether the purchases were made on-site or via the Internet.

Rise of PayPal and Apple Pay

Consumers are moving beyond debit cards to fully electronic payment alternatives. The most well-known of these is PayPal, which began in 1998 and, since 2002, has been a wholly owned subsidiary of eBay.

In 2014, PayPal transacted more than \$228 billion in purchases in 26 currencies spanning 190 nations. The same year, PayPal posted \$7.9 billion total revenues, which represented 44 percent of eBay's total annual profits. In 2015, PayPal was spun off as an independent company. Innovator Elon Musk was one of the initial financial backers of PayPal after abandoning his own X.com online banking company.

A more recent arrival on the scene is Apple Pay. Since its unveiling in 2014, Apple Pay has been installed as a mobile wallet app on all Apple smartphones beginning with the iPhone 5 and on all Apple watches. Unlike debit cards, Apple Pay keeps customer payment information private from the retail establishment by creating a "dynamic security code" that changes for each transaction. While Apple insists it does not track the usage of Apple Pay, it does provide transaction information for its customers, vendors, and banks, which are linked to the Apple Pay account. Apple has successfully partnered with American Express, MasterCard, and Visa, among others, to use the Apple Pay platform.

Each of these services leaves an electronic record when a transaction occurs, including the date, time, and amount of purchase. If we are seeking a true picture of an insured's or claimant's financial con-

dition, it is important to consider these emerging services and request purchase data the same as we would from traditional bank and credit card records. While many insurance investigators are not utilizing these emerging platforms, many American consumers are, so securing all appropriate records for electronic purchases is a necessary part of any insurance investigation in today's society.

Traditional Value

While new technologies are cutting edge, often we overlook new ways of mining data from traditional sources. American consumers continue to love their credit cards. According to recent statistics, the average credit card debt for every U.S. adult, excluding zero balance cards, equates to \$5,232 for every person. The average monthly balance is an amazing \$7,494, and each American has on average 2.24 credit cards in his wallet, paying an average of 12.10 percent interest on every carryover balance.

This is true even though in 2009 the Credit Card Accountability and Responsibility Disclosure Act became law. The act restricts fees on low-balance cards and also eliminates excessive marketing, especially to young consumers. As a trade-off for securing higher interest rates, restrictions also were placed on low introductory rates, prevalent prior to the Great Recession.

One key point investigators often overlook is researching when the credit card was first issued by the financial institution. A "new" card has a zero opening balance. If, however, the consumer is rolling over their previous debt to take advantage of lower introductory rates, a carryover balance will show on the first statement. Even with legislative restrictions, there still are a large number of Americans who "float" excessive credit card debt by using introductory offers. Financial motive for an insurance claim may well exist when those individuals can no longer bounce from card to card and must pay the prevailing higher interest rate. A good forensic accountant should be able to demonstrate the monthly financial impact caused by credit card abuse.

Consumers also leave a very clear trail each time they use an ATM. Since the original Bankograph was installed



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by Citibank of New York in 1961, the number of cash machines now tops more than 2.2 million, or one for every 3,000 world citizens. Every ATM transaction tells us the amount and where, when, and from what account monies were withdrawn or deposited. Considering only that evidence, however, leaves investigators far behind.

Virtually every ATM is equipped with at least one camera—often two. The first camera is normally in an obvious location close to the ATM. Its purpose is for security and often records not only the individual at the machine, but also the surrounding area, including nearby parking or walkways. A second camera is often hidden inside the ATM to secure a clear identification of the customer. ATMs located in convenience stores or retail establishments may only have one camera. However, these retail establishments often have multiple video surveillance cameras for identifying individuals entering and exiting the establishment or in the vicinity of the ATM.

A simple search of traditional banking records often discloses an ATM transaction surrounding the time of loss. The bank statement tells you little beyond the amount, but securing the camera information will identify exactly who used the ATM with an exact time and location. Combined with other data, the ATM is one of the most reliable means of placing an individual at a specific location on a specific date and time.

Customer loyalty cards now are offered by retail establishments ranging from gas stations to America's largest retailers. These cards track purchases and buying patterns. In exchange for providing data to the retailer, the customer is offered special benefits or discounts. A wealth of data exists through accessing these loyalty program accounts ranging from tracing the type of purchases an individual may make to, at certain establishments, being able to track when the person arrives and leaves the location if the card is used to scan in or out. The sad reality is that very few investigators are asking the correct questions and analyzing the ever-increasing wealth of tracking information.

Pulling the Data Together

So how do we use this collective infor-

mation for investigations? The answer is to synthesize all of the data to create an overall picture of not only financial information, but also patterns and geographic locations to make correct and informed decisions.

Consider an individual who claims all of his destroyed items were purchased from high-end retailers. The claimant may be telling you the truth, but if his credit, debit, and loyalty card data shows repeated transactions at discount retailers, a significant discrepancy may exist.

When trying to determine if an individual had the opportunity to be involved in a fire or property loss, their ATM transactions will leave behind not only a timed financial record, but also photographic evidence allowing you to map that person's path of travel. Combining data from financial tracking with video records secured from retailers increases the ability to create a data and video record that shows a person's travels throughout a given time period. To do this, you must look beyond the actual transactions to mine the data trail.

For a growing number of transactions, cash is not even an option. From online purchases to services offering to clean up social media accounts, the only payment option available is electronic. Whether a credit card, debit card, PayPal, or Apple Pay, these purchases leave a data record behind.

It Is Up to You

We have more data available now than at any point in history to trace a person's financial condition, purchase records, and physical whereabouts. By relying on financial data only for numbers, we are overlooking a wealth of information at our fingertips.

Technology provides the ability to secure records and gather more complete and accurate information than ever before. How we utilize this information and our willingness to consider new sources of data rest upon each of us to decide. While insurers must update policy language and claims authorizations to better aid in the securing of data, even a normal "duty to cooperate" clause should give sufficient basis, if reasonable justification exists, to request most types of information and financial data.

The data is out there and waiting. It is left to us to request, secure, and analyze what it contains. The truth awaits and is literally at our fingertips if we are willing to look beyond the numbers to see what story it may tell. **CM**

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