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Fraud

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The Growing Epidemic of Insurance Fraud: Staged Accidents and Organized Crime

Insurance fraud has long been a costly burden for the insurance industry, but in recent years, staged accidents have reached near-epidemic proportions.

Fraudulent claims stemming from these scams cost the insurance industry billions of dollars annually. The impact is especially severe in auto liability insurance, affecting truck fleets, trucking companies, and business auto policies.

The Role of “Slammers” in Staged Accidents

A key player in these fraudulent schemes is the “slammer”—an individual who intentionally causes a collision with a commercial vehicle, often targeting large trucks. These scammers pack their vehicle with accomplices who later claim injuries, allowing attorneys and medical providers to file exaggerated or entirely fraudulent claims. The goal is to extract large

settlements from insurers, exploiting the high liability limits of commercial auto policies.

The Murder That Shocked the Industry

The severity of these scams was underscored by a shocking case in Louisiana, where a ring member turned FBI witness was murdered in an apparent act of retaliation. The witness had been cooperating with federal investigators in a probe into staged accidents, which had led to dozens of indictments. This case highlights how insurance fraud is not merely a financial crime—it can involve major organized crime networks willing to resort to violence to protect their illicit operations.

This Just In ...

Tariffs and Auto Insurance Costs

The latest round of tariffs on foreign carmakers, including BMW and Toyota, is expected to send shockwaves through the auto industry and insurance markets. While these levies primarily target foreign-made vehicles, even American-made cars are deeply intertwined with a global supply chain, relying on parts and labor from Mexico and China. This means that repair costs—and ultimately insurance premiums—are likely to rise.

The Role of Imported Auto Parts

Currently, about 6 out of every 10 auto replacement parts used in the U.S. come from Mexico, Canada, and China, according to the American Property Casualty Insurance Association (APCIA). With tariffs increasing costs on these imports, insurers will have to pay more for repairs, leading to higher premiums for policyholders.

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Claims Leakage and Phantom Damages

One of the most insidious aspects of insurance fraud is claims leakage, which refers to the unnecessary financial losses insurers incur due to fraudulent or exaggerated claims. A related practice, phantom damages, occurs when medical providers bill for services that were never rendered or inflate costs beyond actual expenses. These fraudulent practices contribute significantly to the overall financial burden on insurers.

Major Legal Battles: RICO Cases and Corporate Lawsuits

Insurance companies have begun fighting back against fraud rings through RICO lawsuits, which allow them to seek treble damages

against criminal enterprises. One of the largest cases was filed by American Transit Insurance Company (ATIC) in the U.S. District Court for the Eastern District of New York, where plaintiffs sought \$153 million in compensatory damages and \$459 million in treble damages. The lawsuit targeted over 180 defendants, including medical providers accused of submitting fraudulent claims.

Additionally, Uber filed a lawsuit against three plaintiff attorney firms, alleging they colluded with medical providers to inflate injury claims in rideshare accident cases. This case underscores how fraud extends beyond traditional auto insurance into gig economy platforms, further increasing costs for businesses and consumers alike.

This Just In

The Projected Cost Increase for Auto Insurance

Robert Passmore, department vice president at APCIA, estimates that the auto insurance industry could see between \$30 billion and \$60 billion in additional personal auto insurance claim costs in 2025 alone. This staggering increase is driven by higher repair costs, inflated medical expenses, and legal battles over claims.

The Bottom Line

With tariffs driving up costs, insurance premiums are likely to increase significantly in the coming months. Consumers may feel the pinch as repair costs soar, and insurers scramble to adjust pricing models to accommodate the new economic landscape. While safety regulations could help mitigate some of these costs, progress remains slow, leaving drivers to brace for higher insurance bills in the near future.

The True Cost of Insurance Fraud

Insurance fraud is far from victimless. It drives up premiums for honest policyholders, burdens businesses, and even endangers lives. When factoring in health insurance fraud, fake trip-and-fall claims, and phony workers' compensation fraud, the total cost of insurance fraud in the U.S. is estimated to be \$308.6 billion annually. This staggering figure highlights the urgent need for stronger enforcement, better fraud detection technologies, and harsher penalties for offenders.

As insurers and law enforcement continue to crack down on fraud rings, the hope is that these efforts will deter future scams and protect both businesses and consumers from the devastating financial and legal consequences of fraudulent claims. ■

Supreme Court Ruling Raises the Stakes for Employers Facing EEOC Claims

A recent U.S. Supreme Court ruling in *Waetzig v. Halliburton Energy Services, Inc.* has reinforced the importance of quick action for employers facing discrimination lawsuits.



The decision states that if employers fail to challenge the scope of a lawsuit early in litigation, they may lose the right to dispute claims that differ from those originally filed with the EEOC.

The Case Background

The lawsuit began when Gary Waetzig filed an age discrimination complaint with the Equal Employment Opportunity Commission (EEOC).

However, after voluntarily dismissing his case to pursue arbitration, Waetzig later sought to reopen his lawsuit in federal court, citing several legal arguments:

- ✳ **Procedural Errors in Arbitration** – Waetzig claimed the arbitrator exceeded her authority and made legal mistakes when dismissing his claims.
- ✳ **Mistaken Dismissal** – He argued that his vol-

untary dismissal of the lawsuit had been an error and that he should have requested a stay instead.

- ✳ **Intervening Supreme Court Precedent** – Waetzig referenced a new Supreme Court ruling that he believed justified reopening his lawsuit.

Halliburton attempted to dismiss the case, asserting that the new claims were outside the scope of the original EEOC filing. However, the Supreme Court ruled that failure to raise objections early results in waiving the right to challenge the case, reinforcing the necessity for employers to respond swiftly when faced with lawsuits expanding beyond EEOC complaints.

How EPLI Insurance Would Respond

While best practices—such as proper workplace policies, employee training, and proactive dispute resolution—are the first line of defense against EEOC claims, carrying the right insurance can provide financial protection.

Employment Practices Liability Insurance (EPLI) is specifically designed to cover claims related to discrimination, wrongful termination,

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harassment, and retaliation. In this scenario, EPLI could provide:

- ✱ **Defense Costs** – Coverage for legal fees, attorney costs, and court expenses incurred while defending the claim.
- ✱ **Settlements & Judgments** – Compensation for settlements or court-ordered damages, up to the policy limits.
- ✱ **Policy Limitations** – EPLI typically excludes intentional wrongdoing, meaning an employer found to have knowingly violated anti-discrimination laws may not receive coverage.

Other Insurance That May Apply

In addition to EPLI, other policies could potentially respond to claims like this:

- ✱ **Directors & Officers (D&O) Insurance** – If executives or managers are personally named in the lawsuit, D&O insurance could cover their legal defense and liability damages.
- ✱ **General Liability Insurance** – While bodily injury and property damage are covered, discrimination claims are typically excluded from standard Commercial General Liability (CGL) policies.
- ✱ **Workers' Compensation Insurance** – If the claim involves workplace injuries resulting from discrimination, workers' compensation could cover medical costs and lost wages, though it does not cover legal defense expenses.

The Takeaway

Employers must move quickly when faced with EEOC-related lawsuits, ensuring they challenge expanded allegations immediately. Beyond legal strategy, having the right insurance coverage can provide financial protection, helping businesses navigate costly litigation and compliance risks. ■

Decoding the Language of Insurance Law: Latin Phrases Every Business Should Know

Insurance law is built upon foundational principles that shape the way claims, disputes, and contracts are handled.

Many of these core concepts originate from longstanding legal traditions, some of which are still referenced in their original Latin form. Whether you're navigating policy language, reviewing a legal brief, or discussing a case with an attorney, understanding these terms can help clarify key aspects of liability, fraud prevention, and coverage interpretation. Below, we've outlined several essential legal doctrines commonly cited in insurance claims, along with their Latin counterparts, to help you better interpret the legal landscape of the industry.

- ✱ ***Ab initio*** (“**From the beginning**”) – This is used when an insurance policy is considered void due to misrepresentation or fraud by the policyholder. For example, if an applicant knowingly provides false information, the insurer may declare the policy void *ab initio*, meaning it was never valid from the start.
- ✱ ***Actus reus*** (“**Guilty act**”) – In insurance fraud cases, this term may be cited to prove that a claimant committed an intentional fraudulent act, such as staging an accident or submitting falsified medical bills.
- ✱ ***Contra proferentem*** (“**Against the offeror**”) – In disputes over ambiguous policy language, courts typically interpret unclear terms against the insurer, as they drafted the contract. For example, if an exclusion clause is vague, the benefit of the doubt may go to the policyholder.
- ✱ ***Ex gratia*** (“**By favor**”) – Sometimes insurers make *ex gratia* payments, meaning they voluntarily compensate a claimant without admitting legal liability. This often happens when an insurer wants to maintain good customer relations or resolve a dispute without litigation.



- * *Causa proxima, non remota spectatur* (“The proximate cause, not the remote one, is considered”) – This principle helps courts and insurers determine the primary cause of a loss. For example, if a flood damages a building’s electrical system, leading to a fire that destroys the property, the fire—not the initial flood—may be considered the primary cause of damage.
- * *Volenti non fit injuria* (“To one who is will-

ing, no harm is done”) – Applied in assumption of risk cases. If someone signs a waiver before engaging in skydiving or motor racing, they generally cannot sue for injuries related to the inherent dangers of the activity.

- * *Res ipsa loquitur* (“The thing speaks for itself”) – This is invoked when negligence is so obvious that no further proof is needed. For example, if a truck veers off the road and crashes into a storefront due to brake failure,

the insurer may determine liability without needing excessive investigation.

- * *Uberrima fides* (“Utmost good faith”) – Insurance contracts operate on the principle of utmost good faith, requiring both insurers and policyholders to be honest and transparent. If a policyholder hides a pre-existing medical condition when applying for coverage, they may be denied benefits due to violating this principle. ■

Best Practices for Avoiding EEOC Claims

Avoiding EEOC claims requires proactive measures to ensure compliance with anti-discrimination laws and foster a fair workplace. Here are some best practices:

1. Establish Clear Anti-Discrimination Policies

- ✦ Develop a written Equal Employment Opportunity (EEO) policy that explicitly prohibits discrimination based on race, gender, age, disability, religion, and other protected characteristics.
- ✦ Ensure policies are communicated to all employees and included in employee handbooks.

2. Provide Regular Training

- ✦ Conduct mandatory training for managers and employees on EEO laws, workplace harassment, and bias prevention.
- ✦ Teach supervisors how to handle complaints properly and avoid retaliation.

3. Implement Fair Hiring and Promotion Practices

- ✦ Use objective criteria for hiring and promotions to prevent bias.
- ✦ Ensure job descriptions and qualifications are clearly defined and consistently applied.

4. Foster Open Communication and Early Dispute Resolution

- ✦ Encourage employees to report concerns early through internal complaint procedures.
- ✦ Consider alternative dispute resolution (ADR) methods, such as mediation, to resolve conflicts before they escalate.

5. Monitor Workplace Practices

- ✦ Conduct regular audits to identify potential discrimination risks.
- ✦ Review compensation structures and performance evaluations to ensure fairness.

6. Respond Promptly to Complaints

- ✦ Investigate EEOC complaints thoroughly and document all findings.
- ✦ Take corrective action when necessary to prevent future claims.

7. Stay Updated on Legal Changes

- ✦ Keep track of new EEOC regulations and court rulings that may impact workplace policies.
- ✦ Work with legal counsel to ensure compliance with federal, state, and local laws.

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