



THE DANGERS OF CONTRACT SPECIAL INVESTIGATIONS UNITS

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HISTORY SETS THE STAGE

Way back when I was first entering the insurance arena, I noted Special Investigations Units (SIU) were primarily populated by former law enforcement. No disrespect to members of law enforcement, but the large majority of them have limited knowledge about how insurance claims work.

To be honest, most of Earth's population doesn't; it really is a unique and ugly creature. Because of this, many, many battles were fought between the members of SIU and Claims Departments. The former furious that a particular case wouldn't be denied or prosecuted, even though the SIU member knew the insured was guilty and the latter exasperated that the former couldn't, or sometimes wouldn't, understand policy language or the cost effectiveness of litigation.

As the years progressed, smaller insurance companies started populating their SIUs with claims professionals; people who were intimately involved in the claims processes and knew the ins and outs of policy language. This strategy worked much better and allowed claims to be resolved more effectively and efficiently.

Whether the carrier employed former law enforcement or utilized claims personnel for the SIUs, one thing remained the same for both: They had to farm out a lot of their investigative work to vendors as a necessity.

Other companies, big and small, started relying on some vendors to be their contract SIUs; investigative firms that claimed to be experts in all areas of special investigations and/or fraud investigations. The sales staff of these firms would meet with the executives of various insurance companies and after those (I'm sure quite exhausting) meetings a multi-year contract would be signed. These contracts regularly give the contracting SIU firm primacy over investigations and vendor approval. It should be noted that these contracts are almost always worked out by people who don't actually deal directly with SIU personnel or outside vendors and also do not handle claims on a day-to-day basis.

THE DANGERS

Before getting into the title of this section, I need to take a moment to tell you how much I appreciate and am a proponent of Capitalism. Of all the "isms," this one is among my favorites. Free Markets make everyone better and drive innovation. But on the flip side, I am very much opposed to Caged Markets. Of all the markets to be in, this is one of the darkest. Caged Markets do no one any good but the captor. They stifle innovation and allow the captor to glut itself on the revenues of their captives, giving little in return.

Now, on to the dangers. Think of all the investigative firms out there; it's a plump market (another market). The firms you use, the ones you've heard of and the kind of work they do so you don't use them. Then there are the firms you've looked up because

you were desperate to find someone in an area that could possibly help you out in a pinch and hoped beyond hope you could trust them to do a good job for you. All those investigative firms...can you think of one that doesn't boast they are experts in SIU or fraud investigations? Or, at the very least, say they can take a good recorded statement? Perform a good scene investigation?

There are some really good firms out there; you the reader probably use one or two yourselves. Even some of the really small shops, just one to a few investigators, can turn out an amazing product. I can attest to this because I not only work with some of the most talented investigators in the industry, I have had the pleasure of working with some absolutely top notch vendors when I was on the insurance side. These firms can often give you exactly what you are looking for because having a tertiary knowledge of claims investigations is sometimes all the investigator needs.

But that's not what this article is about and a tertiary knowledge of SIU and insurance fraud is fine in most cases. But when a company claims they are experts in the insurance arena and actually aren't, then get a very lucrative contract that allows them a victim to feed on, therein lies the danger.

The individuals that run contract SIU companies know this and it's how they are able to stay in business. If you can get that contract, why would you have to worry about being good? Since they have the contract, they usually get to run most investigations. The results of the investigations are usually mediocre at best; anything from surveillance to scene investigations and statements. Flat fees for services, but then a lot of extra charges for mileage, etc.? Sorry, they have the contract. You as the attorney or the adjuster like using a particular vendor because they get you good results, but in some contracts the SIU can approve the vendor list so the chances of your firm getting on is slim to none, and Slim just left town.

On the off chance that you can use the vendor of your choice, the contract SIU (because they have the contract) will get to make demands of your vendor. One of these demands would be seeing all of your vendor's professional licensing. This can be problematic for your vendor as all the licenses for a particular firm may have different individuals' names, not just the owner of the company. Another demand of the contract SIU is usually being able to see all of the work product from your vendor.

Keep in mind, the contract SIU is your favored vendors' Free Market competitor. So on top of what I have already written, the contract SIU gets their contract fees, tells

you they can operate at absurdly reduced rates for services, then hits you with ridiculous extra charges, gets to see all of the names on your vendors' licenses and all of your vendors' work product. They usually even charge you for reviewing the file. You are forced to pay an astronomical price for mediocrity, or lower.

All of this allows the contract SIU to strangle the market and target their competitors. The contract SIU is removed from having to compete for business on merit, allowing them to sit back and gorge themselves on unearned profits while swatting away pesky competition...because they have the contract.

SOLUTIONS AND CONCLUSION

If you are going to sign with a contract SIU, make sure there is a clause that allows you to terminate the contract at any time. Ask them for references from some of their other clients and then do not, I repeat, do not call those references. Call the Claims Department and ask for any adjusters who are forced to use them. Ask those people for their opinion, you'll get the straight scoop.

Since the contract SIU companies are claiming to be experts in the insurance arena, ask them why? Having someone on staff who used to work for a department of insurance or some other such thing does not make them experts in SIU or insurance investigations. Do they understand reserving? Do they understand what a loss ratio is? Do they know what rescinding a policy is? Who is A and who is C in a claim? Who is Δ and who is π ? Has anyone on their staff actually ever handled a claim and then moved into SIU, or even worked in SIU at an insurance company for a period of time? Do they understand the difference between an interrogation and an interview? Obviously these are just a few. Anyone claiming they can be your expert in the insurance field should be able to prove it.

Finally: No one should be made to suffer at the whim of a captor they have no recourse against.



Nicholas Hamilton is the Special Investigations Unit Manager for Marshall Investigative Group. Nick has been involved with investigations and security since 1990 and has more than 20 years of experience in the insurance industry. He has established and operated Special Investigations Units for multiple insurance companies, and is an expert in multiple claims disciplines.