

Legal Update

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Staged Accidents, Real Consequences: Combating Crash-for-Cash Schemes in Commercial Auto

Insurance fraud is an evolving challenge, but few schemes are as bold, and as costly, as staged automobile accidents. Commonly referred to as “crash-for-cash” incidents, these orchestrated collisions are designed to manipulate the claims process, drive up indemnity payments, and inflate premiums across the industry. What makes them particularly insidious is that they exploit one of the foundational principles of insurance: the expectation that claims arise from sudden and accidental loss. Instead, staged accidents are deliberate, fraudulent events carried out for financial gain.

HOW STAGED ACCIDENTS HAPPEN

Staged accidents take many forms, but the tactics share one characteristic: intentional orchestration to ensnare an unsuspecting driver. The most recognizable maneuver is the “swoop and stop,” where a vehicle abruptly cuts in front of another and slams the brakes, leaving no chance to avoid a rear-end collision. As insurers and businesses have responded by equipping vehicles with dash cameras, fraud actors have adapted. Side-swipe collisions have become more common, as they are often more difficult to disprove with forward-facing footage.

In other variations, fraudsters will convince a driver that an accident occurred when it did not. These so-called “phantom accidents” rely on the target pulling over, believing they were involved in a collision, only to be confronted with pre-damaged vehicles and fabricated claims. Other schemes use multiple vehicles to box in the target, making a collision unavoidable, or manipulate traffic patterns by double-parking vehicles to force sudden, unsafe lane changes.

The creativity and adaptability of these schemes underscore the need for vigilance. As countermeasures improve, so too do the methods fraudsters employ to stay one step ahead.

THE IMPACT ON COMMERCIAL AUTO

While both personal and commercial policies are affected, commercial auto has become the preferred target for staged accident fraud. Quite simply, there is more at stake. Fraud

actors understand that larger policy limits and higher potential settlements make commercial vehicles especially attractive.

The consequences ripple outward. When fraudulent claims are not identified early, they result in increased indemnity payments and higher premiums for businesses. For some companies, repeated exposure can erode profitability to the point where insurance becomes prohibitively expensive or even unavailable.

The industry’s greatest opportunity to blunt these losses lies at first notice of loss (FNOL). If fraud is overlooked at this stage, the claim progresses unchecked. Too often, adjusters miss the subtle warning signs of fraud during initial intake. Improving education and awareness at this early point of contact is critical to preventing significant downstream costs.

STRENGTHENING THE RESPONSE AT THE SCENE

Businesses can empower their drivers and field personnel to help stop fraud at the source. Proper documentation immediately following a collision often makes the difference between a defensible case and an expensive payout. Drivers should be trained to take photographs of the scene and the vehicles involved, preserving visual evidence of conditions that may later contradict a fraudulent account. Event Data Recorder (EDR) information can be equally valuable, showing vehicle speed, braking, and other driving behavior to confirm safe operation by the insured or expose erratic conduct by the claimant.

Involving law enforcement is another essential step. Fraud actors frequently attempt to dissuade drivers from calling the police, preferring to report the accident later with a fabricated version of events. Having officers on the scene ensures an objective record is created contemporaneously. Finally, obtaining a detailed driver statement at the time of the incident preserves the insured’s account, which is particularly important since litigation often arises months or years after the fact.

DEFENDING AGAINST FRAUDULENT CLAIMS

Even with careful scene documentation, staged accident cases often proceed into litigation. Insurers and defense counsel must be



proactive in deploying legal tools that place them in the strongest possible position. When fraud indicators are present at FNOL, seeking a declaratory judgment action to void coverage can cut off claims before they mature into lawsuits. When litigation cannot be avoided, insurers should go beyond traditional affirmative defenses and assert counterclaims against the fraud actors. Counterclaims place insurers on the offensive, signaling that fraudulent conduct will not be tolerated and creating leverage in the litigation process.

From there, success requires an aggressive and specialized approach. Discovery must be used strategically to expose inconsistencies, motion practice should challenge the sufficiency of fraudulent allegations, and expert testimony can undermine the credibility of the claimants. Conventional litigation tactics are often insufficient. Fighting fraud requires a mindset and skillset tailored specifically to the unique challenges of staged accident schemes.

THE ROLE OF SIUs AND EARLY ENGAGEMENT

Special Investigative Units (SIUs) play a critical role in identifying and mitigating fraud. Early engagement of SIU is essential when suspicious factors emerge. SIUs can coordinate with outside investigators, analyze medical treatment patterns, and connect dots that may not be immediately visible to claims handlers.

Medical providers are a frequent component of staged accident rings. Fraudulent or unscrupulous clinics often appear repeatedly in these cases, creating inflated treatment bills designed to pressure insurers into settlement. Not addressing the medical fraud piece in these claims is catastrophic as treatment and surgery drives the values of these claims higher and higher. Consult with the right experts and redefine your use of discovery to make sure you adequately address these issues. Those who fail to adopt this process are buying fraud and bleeding indemnity.

Equally important is education. Carriers, adjusters, and insured businesses all benefit from ongoing training to recognize red flags and respond appropriately. Fraudsters thrive when their

schemes go unnoticed. By increasing awareness at every level of the claims process, the industry can create more friction for those seeking to exploit it.

AN ESCALATING THREAT

Staged accident fraud is not new. Industry veterans who have spent decades in the field can recall these schemes as a persistent problem. What has changed is the scale and intensity. Following the COVID-19 pandemic, the Coalition Against Insurance Fraud forecasted a surge in fraudulent activity, and that prediction has borne out.

Today, staged accidents are appearing more frequently across jurisdictions, and the trend is especially pronounced in commercial auto lines. Fraud actors are motivated by the larger financial upside and the perception that commercial carriers are easier targets. This makes the challenge both urgent and enduring.

CONCLUSION

Staged accident fraud presents real dangers to insurers, businesses, and the integrity of the claims process. Its adaptability demands an equally adaptive response. Success requires vigilance at the point of loss, robust documentation by drivers, strategic litigation practices, and the early involvement of SIU. It also demands a cultural shift across the industry—one that prioritizes training, awareness, and collaboration in the fight against fraud.

Fraud may be persistent, but it is not insurmountable. With coordinated strategies and a proactive approach, the insurance industry can rally against staged accidents and protect both policyholders and carriers from their very real consequences.

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