

FRAUD PREVENTION AND EDUCATION

This guideline is designed to assist brokers in identifying potential frauds in the auto insurance sector, as well as providing information that brokers can use to educate their clients on this issue.

Ontario has introduced legislation aimed at combatting insurance fraud through tighter controls over tow truck operators and health clinics, among other things, but brokers can still play an important role in fighting fraud through:

- Sensitivity to circumstances surrounding a claim that suggest something is not quite right, for example, staged accidents.
- Generally having a second look where client activity seems to indicate some fraudulent purpose, for example, previous BI claims or a different insurer every year.
- Reporting good faith concerns about potential fraud to insurance companies, regulators and, where appropriate, the police.
- Educating clients to be aware of auto insurance fraud, for example, by making available to your clients education materials prepared by FSCO and IBAO, as well as encouraging clients to be aware and report fraud.

Indeed, consumer awareness and reporting may be the most powerful weapons in the fight against fraud.

Brokers occupy a unique position in the auto insurance system and their own communities. They are an important and trusted touch point that can be used to engage and educate their customers. Purchasing or renewing an auto policy is an opportunity to provide a “learning moment” to customers.

Brokers can help consumers understand auto insurance and how to purchase it, and warn about potential scams.

Examples of fraud include:

- Fake insurance claims potentially involving body shops, tow truck companies, legal representatives, health clinics, assessment centre or attendant services, particularly where the same persons have ownership interests in service providers.

- Fees for tow truck referral, storage or other “administrative” fees to tow trucks, repair shops or health care providers that may “pad” their bills to recover “fees” that get passed along to consumers.
- Unlicensed people charging a fee to find insurance for consumers, who then impersonate the consumer using their information to apply for insurance coverage, usually by fraudulently indicating that they are members of an organization that may have a “group” or “association” insurance plan.
- An increasingly common scam involves the advertised sale of “cheap” insurance, usually in local or community newspapers. While they may sound genuine, they usually require the consumers to pay the premium funds by money transfer services, for example, Western Union, but the insurance doesn’t exist. Some of these ads typically don’t identify the Insurance Company or the Broker or may use names that are very similar to actual insurers or brokers.
- Consumers need to be reminded that if it sounds too good to be true, it usually is, and that driving without insurance, even unwittingly, is illegal.

As well, consumers need to be advised that exaggerating an otherwise legitimate claim is definitely still part of the problem. It’s just an example of opportunistic fraud and hurts everybody.

Brokers can also help consumers about what to do where they become aware of potential fraud, or after they may be involved in a minor accident.

Consumers can be advised to:

- Write down what they noticed, including the names of persons and the dates of suspicious communications.
- Contact their broker as soon as possible after an accident. Brokers can provide advice on towing and, if required, notify the police, or insurance regulators (FSCO/RIBO).
- Reports may also be referred to:
 - the Canadian Anti-Fraud Centre
www.canadianantifraudcentre.ca
1-800-495-8501
 - the Competition Bureau
www.competitionbureau.gc.ca
1-800-348-5358
 (where the report is regarding deceptive or misleading advertising)
- If necessary, reports may also be sent to Canada’s 2 credit agencies (Trans Union, Equifax).

Brokers must be vigilant in watching for and helping to report bad actors who tarnish the reputation of dedicated professionals working in the industry. RIBO, as well as other organizations that regulate professional behaviour, has an important role to play in ensuring that those they regulate are disciplined in an effective and timely way, if they engage in fraudulent activity.

RIBO maintains and enforces regulations regarding insurance broker conduct that are explicit and forceful in the pursuit of professionalism and zero tolerance for fraud.

Specifically, there are provisions for:

- Prohibition on unauthorized practice.
- Prohibition on misleading or deceptive advertising.
- Prohibition on referral fees to/from anyone other than regulated financial services providers.
- Prohibition on charging unconscionable fees.
- Prohibition on failure to disclose a conflict of interest and related guidelines for members.

The fight against insurance fraud will require all stakeholders to be engaged and integrated. It will require a collaborative effort involving everyone in the auto insurance sector, including consumers. Being aware that everyone could become a potential victim of fraud is an important step in preventing or reducing its occurrence.

As a supplement to this policy on fraud and fraud awareness, RIBO is adopting the following Guideline for writing new business, proposed by the IBAO as best practices for brokerage policies aimed at preventing fraudulent activity.