



Ontario Association of Chiefs of Police 2019 Annual Meeting

Remarks by Don Forgeron, President & CEO, IBC

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Good morning, everyone. Thank you for welcoming me here today.

I'd like to use this opportunity to start a new conversation about an old problem. A growing problem. One that affects us all.

I'm here to talk about insurance fraud – specifically, auto insurance fraud. And I'm here to ask for your help and your partnership as we work to combat this increasingly prevalent and costly crime.

Let me begin, though, by expressing the appreciation of the insurance industry.

We are grateful for the ways in which you and your officers already work with us – and with insurance companies across the province. We have benefited from your investigative skills, your commitment to justice and your determination to serve and protect the public.

I know you've all got a lot on your plate. You're being pulled in a lot of different directions – and there are never enough resources for all the tasks at hand. You need to make choices. You need to prioritize what's in the public interest.

But I also know this: Fraud is an attack not only on insurance companies, but on you and your people. It's an attack on consumers and society at large. Many of these criminals seek to waste your time – and your resources. They seek to take advantage of your trust – and use it to enrich themselves through fraudulent means.

And many of them have every intention of doing it over and over, confident that they will never be caught.

The good news is: There is greater awareness of the fraud that is taking place across our province. There is a greater understanding about its costs. And among the companies we represent, there is a greater urgency to industry efforts to combat fraud in all its forms.

Our organization, IBC, has been around for more than half a century. We represent about 90 per cent of Canada's private home, car and business insurers. We are their voice to government – and to the public.

We also work closely with law enforcement in a number of key areas. We've partnered with the OPP on an education and awareness campaign. We conduct seminars on fraud. And we run a program that trains and educates law enforcement on the latest trends, techniques and patterns in vehicle theft.

When we think about fraud, we think first about money. I'm going to get to that – because the cost of insurance fraud is substantial. And it's not only insurance companies who are being forced to pay.

But insurance fraud is also very much a public safety issue. And it needs to be addressed with that in mind.

Fraud can be a way for organized crime to bring in revenue and support its other operations.

It can be a way for dishonest people to take advantage of unsuspecting citizens – sometimes threatening them with violence or retribution.

Beyond that, there are also people across our province who are put at risk every time a car accident is staged in order to potentially secure accident benefits for the so-called victims.

So it's important to understand that it's not only about money. It's also about the well-being of the people of Ontario.

Insurance fraud takes many forms. Sometimes, it's a one-off – a person looking for a quick payday. Often times, it is much more elaborate, insidious and systemic.

Some collision repair shops will inflict additional damage on a car in order to inflate the charges – once they know the owner has good insurance.

Some tow truck operators bill insurers – including additional fees for wait times and clean-up services – even when there wasn't a legitimate collision.

Some shady health care facilities will coach people how to exaggerate their injuries – in exchange for a percentage of the claim payout.

Some people will pay money – hundreds of dollars – for a seat in a car that they know will be part of a staged crash. They see it as an easy path to ongoing accident benefits. Others get paid to participate – so long as they forward most of their benefits to the organizer of the fraud.

A number of these so-called victims will go on to bill insurance companies for treatments that were never administered – and for loss of income from jobs they never had.

What's important to take away from all this is that insurance fraud is not a victimless crime.

In fact, if you drive and have personal auto insurance, you're one of the victims. We all are. We are paying more for our policy than we ought to.

KPMG found that here in Ontario alone, the annual cost of auto insurance fraud is more than \$1.6 billion. Last year, this year, and probably next year.

What does that mean? It means that more than \$230 of the average annual car insurance premium goes to covering fraudulent claims. It goes to someone else benefiting at your expense. At our expense.

They cheat. And we all pay.

So let there be no doubt: Insurance fraud is a crime – and it is costing us all.

But as I mentioned, there are costs beyond money. Costs that you know all too well.

Every time there's a fake collision, your officers are dispatched. They don't know it's fake when they get the call. Fire fighters don't know it's fake. Nor do ambulance drivers.

All these crucial public resources are diverted away from genuine public needs. Their time is occupied – which can hurt your perception among members of the public. In essence, these first responders are used by criminals to bring authenticity to their claims. Your people become props in a performance.

Then at the hospital – doctors and nurses pulled away from the genuinely sick and the genuinely injured. X-rays, MRIs and other equipment occupied while others wait.

And finally in court – the valuable time of judges used to advance fraudulent claims, while legitimate cases are delayed.

There is a ripple effect from each and every instance of insurance fraud. Some create bigger ripples than others. But each and every one carries a cost to our society – and impacts the lives of other people.

And by the way, this is not a problem that's exclusive to Ontario. It's a national problem. It's a global problem.

I'll give you just a couple of examples.

The global insurance company Allianz recently said that almost half of the auto claims against it in courts in Ireland were potentially fraudulent.

As the Allianz CEO put it: Investigating these claims costs money. Challenging them in court costs money. But the long-term benefits of rooting out fraud outweigh the short-term costs.

Meanwhile, one of the largest insurers in the UK says it now rejects about one out of every eight claims for whiplash. There is hope, however, that a new law that reduces financial compensation for minor personal injury claims may result in fewer fraudulent claims being filed. It's a possible solution that other countries should consider.

Law enforcement is also playing a more prominent role in Britain, working in partnership with insurers to combat fraud. The insurance company Aviva reports that in 2017 alone, the company helped to bring 68 successful criminal prosecutions for fraud – resulting in 143 years of prison sentences.

Among those caught was a reality TV contestant who bungee jumped on TV – while collecting insurance benefits for an injury.

On a more serious note, the Brits also took down the ring leader of a gang that staged a bus crash to try to collect more than a half-million pounds in payouts for fake injuries to eight accomplices. He was jailed, fined and banned from driving for two years.

So, if we accept that insurance fraud is a serious and growing problem – what can we do about it? I'll give you an answer in three parts.

First, we need to do more ourselves as an industry. That's why we're putting in place stronger anti-fraud measures. And that's why insurance companies are beginning to cooperate more closely on this issue.

To be clear: We take fraud extremely seriously – and for years we have been stepping up our efforts to prevent it and punish it. At IBC, we provide a service that helps to identify fraudulent activity across multiple insurers. And our members – who compete against each other in every other element of their business – are collaborating more often and more deeply when it comes to fraud.

Earlier this year, we saw the second and third largest insurance companies in Canada work together to identify and thwart a so-called ghost broker who sold fake pink slips to Ontario drivers. He was charged with two counts of fraud under \$5,000.

We see this as a positive development. We are just beginning to understand the many benefits of having insurance companies work together to reduce fraud. We're spotting trends that we couldn't see before – when each company was trying to solve this problem on its own.

To ensure this collaboration happens more often, we are working on establishing a framework that encourages insurers to share information for the purposes of fraud detection.

When it comes to detecting and suppressing fraud, we have come to understand the potential benefits of collecting, compiling, analyzing and sharing data among insurers – and especially among their investigative teams.

But this last part in particular gets a little tricky. We are very aware of our customers' strong views when it comes to matters of privacy. The disclosure of information should never be taken lightly. Regulatory oversight needs to be established.

At the same time, this data could truly help in the fight against fraud. Think of it in much the same way that major nations share intelligence information through agreements, like the Five Eyes alliance of the U.S., Britain, Canada, Australia and New Zealand.

On its own, each country may gather data that shows only part of the picture. But when that information is shared, when it is compiled and analyzed, new threats and new realities may be revealed. And the benefits of working together are made apparent.

The good news is that we have a regulator – the Financial Services Regulatory Authority of Ontario – that now appears to be very focused on rooting out fraud in the system. We are going to use this opportunity to press for tougher legislation, stronger anti-fraud tools, and greater freedom to share data for anti-fraud purposes.

The second thing we can do: As a society, we need more meaningful penalties against those who commit fraud. And we are taking that message to government and to prosecutors.

As it stands, fraudsters who are arrested, charged and found guilty can wind up back in business in far too short a time.

We need stronger sentences so that the excellent work of law enforcement can result in meaningful punishment – and a real deterrent to others.

Third and finally, there is – I believe – a greater potential role for law enforcement in combating insurance fraud.

Let me begin here with a qualification: There are different degrees of fraud – and different responses that are required.

Sometimes, a person's car is stolen – and he falsely claims, “Oh, hey, my brand-new golf clubs were in the trunk.” That's not the kind of fraud we'd burden your departments with.

Don't get me wrong: We take that brand of fraud seriously. But we have investigative teams of our own to handle it. We don't expect the full muscle of the local police services to descend on the guy's driveway.

On the other hand, there is also highly organized, systemic fraud – perpetrated by criminals. Fraud that puts people at risk, and costs them money.

I'm hoping we can work closer together to uncover and reduce this kind of fraud – because I've seen the benefits that partnerships can bring.

One of the best examples is our work with the Ottawa police service on an operation known as Project Ravin. Last year, Ottawa Police charged four men in relation to a series of auto thefts over the summer. We ended up recovering 19 cars valued at \$835,000. The investigation relied on contributions from a range of partners, including IBC and a number of police departments in Quebec.

There are other examples like that. In Montreal and Halifax, we work with port authorities to identify and repossess stolen vehicles before they leave the country on container ships. In a typical year, IBC and the port authorities recover more than \$15 million in stolen vehicles.

These partnerships send a clear signal. They announce to thieves that moving stolen property is a risky endeavor. We believe that these arrests and recoveries ultimately serve as a deterrent.

We hope to strike up a similar kind of partnership when it comes to insurance fraud – both on a day-to-day basis and in terms of large-scale frauds that we identify together.

One specific way in which you may be able to assist is through the government's new Serious Fraud Office.

We were encouraged when this office was created by the previous government – and relieved when the new government said they'd continue with it.

The government has made clear that it is willing to develop a fraud reduction strategy. That it's willing to listen when law enforcement comes forward with information about serious fraud in Ontario. And that it shares our goal of finding and punishing those who commit fraud.

We'll take all the help we can get.

I share the perspective of the CEO of Allianz insurance: Every fraud case matters. Every arrest makes a difference. Every conviction gives us the opportunity to save money for our customers – and also to send the message that if you commit fraud, you may well get caught. That’s a win for us – and for all honest drivers.

As I’ve described today, fraud comes in many forms. Some people exaggerate or invent the injuries they suffer in legitimate car crashes. Some stage the collision entirely and file spurious injury claims. Some people report their car stolen – when it wasn’t.

They’re not always geniuses.

In Manitoba last year, a 22-year-old man – possibly intoxicated – plowed his Dodge Nitro into a parked car, then told a witness not to tell the police and drove off.

The man was later spotted along a rural road setting his car on fire. When someone stopped and asked the man if he was okay, the man said, “Yes, thanks. And have a nice day” – before running off into the bush.

Among local law enforcement, he became known as the Polite Arsonist.

The man later filed a claim, saying his keys were stolen at a house party.

If only all fraud cases were so easy to root out – and shut down.

Unfortunately, they’re not.

I’ve been in the insurance business a long time. Here’s one of the things I’ve learned: No single group can solve the challenge of insurance fraud on its own.

Insurers can’t do it. Not on their own. Regulators and government can’t do it. And law enforcement can’t do it.

But each of us has a role to play. Each of us can do our part.

If we do... when we do... we'll be able to better protect public safety and deliver meaningful cost savings to people across our province.

Thank you.