



INSURANCE 101...

because insurance shouldn't have to be a riddle

Insurance crime costs you money.

Insurance crime comes in many forms and, according to the Insurance Bureau of Canada (IBC), costs Canadians \$3 billion a year. Perpetrators range from the shady gangster in the dark alley to the friendly neighbour across the street. And their offences are just as varied. Gangs organize auto theft rings and stage accidents; people with legitimate claims who exaggerate the value to get a larger settlement; and professionals involved in the industry sometimes abuse the system.

Insurance crime is not victimless. The \$3 billion that is taken unfairly out of insurance premiums, emergency services, and our health care and legal systems ultimately comes out of the pockets of all Canadians who buy insurance and pay taxes. In fact, the IBC estimates that we're all paying about 15% extra for general insurance because of the need to cover fraudulent claims.

The insurance industry works hard to combat insurance crime. The IBC is designated as an investigative body under federal privacy legislation, and individual companies have investigation units who work with other authorities and the public to make sure each claim is settled fairly.

That little white lie may be against the law.

A common type of insurance crime is the "little white lie" variety committed by otherwise law-abiding people. For example, it is illegal to lie on an insurance application. Both the insurance company and the insured person are legally bound by terms of the policy. The premium charged is calculated based on the information provided by the applicant. So if a person states, for example, that they will not be commuting to work when in fact they will be, that person will not be charged the appropriate premium. It's akin to switching the price tag on an item before bringing it to the cashier. And just as illegal. Also, the misinformation could result in that person receiving a smaller than expected payout in the event of a claim.

When it comes time to file a claim people sometimes cannot resist the temptation to try to make a few extra dollars by exaggerating injuries or inflating the value of their lost or damaged property. Again, this is illegal and may lead to losing coverage altogether or criminal charges.

Committing crimes on the job.

Sometimes professionals who are associated with the insurance industry are involved in criminal activity. Tow truck operators, repair shops, paralegals, lawyers, health care workers and others have been caught committing a variety of insurance crimes. In some cases they overcharge or charge for services they haven't provided; in others they take advantage of people when they're vulnerable or risk the clients' safety to make a quick buck.

Organized crime targets insurance.

Organized crime plays a major role in pushing up rates through insurance crime. Auto theft rings are multi-million dollar businesses. On average 500 vehicles are stolen every day in Canada and, according to the IBC, auto insurance consumers pay an extra \$48 annually to pay for them.

Staging auto accidents, often involving – and endangering – unsuspecting innocent people is another increasingly common scheme. Some criminals, called recruiters, even “sell” passenger spaces in the vehicles involved, charging a fee to allow other fraudsters to get in on the action. Fraudsters also sell phoney insurance coverage to drivers, complete with forged pink slips. The tragedy in these cases is that the drivers may think they have coverage when in fact they do not.

The list of insurance crimes, unfortunately, goes on and on. They take many forms and involve a wide variety of people.

Avoid insurance crime.

Being aware of the scope of insurance crime is the first step in combating it. Always be wary of people selling insurance door-to-door or over the telephone, and remember – if a deal on insurance seems too good to be true, it probably is.

If you are involved in an insurance claim, be careful. Make sure bills are accurate, medical treatments offered are necessary, and always read forms thoroughly before signing them. Remember, whenever a bill is padded because “the insurance company is paying for it” – it’s everyone who buys insurance who ends up footing the bill.

If you’re in an accident, take notes of license plate numbers, the number of passengers in vehicles, and be sure to get a copy of the police report. If you see an accident, offer to get involved as a witness.

If you feel pressured to go to a particular body shop, paralegal or medical professional, be wary. Contact your insurance company for a list of preferred auto shops. Your insurer has worked with them before and has confidence in the quality of their work and their honesty.

Report insurance crime.

Too often insurance crime is tolerated because it seems victimless. It is not. To report insurance crime, call 1-877-IBC-TIPS or submit a tip online at www.ibc.ca.

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