CANATICS

Helping insurers stop organized fraud rings

By Ben Kosic

Staged collisions. Bogus billing by medical facilities. Identity theft of medical practitioners. These are just some of the fraudulent activities conducted by organized insurance crime rings in Canada — sophisticated operations that involve everyone from drivers to tow-truck operators and workplaces from health clinics to body shops. In one extreme case, a police officer was on a crime ring's payroll.

These fraudsters drive up auto insurance costs for everyone and threaten road safety. This is why Canadian insurers created Canatics – Canadian National Insurance Crime Services.

Canatics uses a sophisticated data-analytics tool that analyzes pooled industry data to reveal connections between suspicious activities that individual insurers could not make on their own. For instance, imagine that the same vehicle was in several staged collisions over several years, and was insured with a different insurer every time. Each insurer won't have the full picture, but the Canatics tool can make the link and alert the affected insurers.

The Canatics tool puts the Canadian insurance industry at the leading edge of a global trend. The Insurance Fraud Bureau in the U.K. and the National Insurance Crime Bureau in the U.S. both use data pooling and analytics to detect fraud. Canatics has learned from their experience to increase the sophistication of the process. Meanwhile, the insurance industries in many other countries are now using data pooling and analytics to detect fraud.

It's important to emphasize Canatics' commitment to privacy. The data is pooled but not shared. The tool analyzes without human intervention, and the alerts show insurers the personal information of only their own customers. Also, Canatics does not investigate. It's the early detection system.

With the help of government, insurers, IBC, police and prosecutors, Canatics offers amazing potential to fight against insurance fraud and protect consumers from the organized crime rings that drive up costs and threaten road safety.

Canatics provides an excellent tool to help insurers identify fraudulent behaviour. After that, it's up to insurers, the Insurance Bureau of Canada (IBC), and the police and prosecutors to investigate, lay charges and bring fraudsters to justice. Collaboration is key. All these other stakeholders need to coordinate their efforts to bring to fruition what the tool makes possible.

The tool was launched in Ontario in 2015, with members representing 75 per cent of Ontario's auto-insurance market. In its first year, insurers and law enforcement have used the data to uncover and investigate various rings, as well as several cases of policy fraud.

Canatics continues to fine-tune the model to ensure high-quality alerts. It's all about effectiveness and efficiency for members, allowing them to direct their resources and attention to the right claims.

The industry knows all too well that fraudsters move fast, which means we need to move even faster. As we shut fraudsters down in one province, their tentacles will reach into new territory. For this reason, we are working to expand into other jurisdictions. Moving west is the next likely move – for both fraudsters and Canatics.

Garry Robertson, national director of investigative services with the IBC, says: "For many years the Greater Toronto Area has been a hotbed for organized insurance fraud rings. But now we are starting to see a lot more of this criminal activity materialize in Alberta as well." He adds: "We're trying to get ahead of the problem in Alberta so it doesn't become like it is in southern Ontario. Canatics could really help us do that."

Canatics has to follow numerous steps before operating in a new jurisdiction, including securing support from provincial decision-makers and ensuring that local regulations allow it to analyze pooled data. We have begun those conversations with the authorities in Alberta, and look forward to branching out.

Canatics offers amazing potential to fight against insurance fraud, but it needs the government, insurers, IBC, police and prosecutors to get involved. We all have a role in protecting consumers from the organized crime rings that drive up costs and threaten road safety. IP

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