

Proposed Rule and Guidance: Fraud Reporting Service (FRS)

Webinar

Date: Tuesday, August 20, 2024 @ 1:00 pm – 2:00pm

Speaker: Chris Georgakopoulos, Director – Auto Policy

Moderator: Melissa Grover, Senior Manager – Auto Strategy

FSRA

Financial Services Regulatory
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Ontario

Agenda

- Introductions
- Land Acknowledgement
- Key Elements of the Proposed Rule and Guidance
- Public Consultation / Next Steps
- Questions

The logo for the Financial Services Regulatory Authority of Ontario (FSRA) features the letters "FSRA" in a large, bold, blue sans-serif font. To the left of the text is a vertical teal bar. Below the letters, the full name of the organization is written in a smaller, black, sans-serif font.

FSRA

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Auto Policy Team

Speaker: Chris Georgakopoulos, *Director – Auto Policy*

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Video and sound will be turned off automatically



There will be a Q&A session after the presentation



You can submit questions in the Q&A



Questions will be selected at random



Any unanswered questions will be addressed in the FAQ to be released later

Land Acknowledgement

We acknowledge the land we are on is the traditional territory of many nations including the Mississaugas of the Credit, the Anishinaabeg, the Chippewa, the Haudenosaunee and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit and the Williams Treaties signed with multiple Mississaugas and Chippewa bands.

- Auto insurance fraud is often cited as a major problem by consumers and stakeholders, but there is currently a gap in reporting of information related to fraud that makes it difficult to define the problem and create accountability for solving it.
- FSRA's proposed Fraud Reporting Service (FRS) Rule and Guidance will seek to create a baseline of data that will quantify the amount of fraud in the industry.
- Section 101.3 of the Insurance Act, passed in the 2022 Budget Bill, gives FSRA authority to prescribe in a rule any information that insurers must provide, as long as it relates to automobile insurance fraud.
- The proposed FRS Rule and Guidance is intended to:
 - Quantify the prevalence of automobile insurance fraud in Ontario;
 - Create a baseline for fraud detection; and
 - Identify trends throughout the automobile insurance industry.



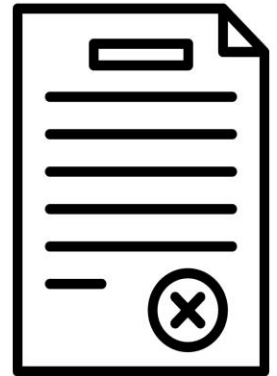
- Proposed Rule reflects section 101.3 and sets out:
 - the threshold and scope of information that insurers are required to report about automobile insurance fraud; and
 - the timing and process requirements regarding how an insurer shall report the prescribed information.
- FSRA is also issuing interpretation/approach guidance that will:
 - set out the prescribed information/data points to be collected based on FSRA's interpretation of automobile insurance fraud; and
 - outline FSRA's approach in collecting the required information regarding the timing and form requirements of providing information.

- *101.3 (1) Every insurer shall provide the Chief Executive Officer or an agency designated by the Chief Executive Officer with information prescribed by the **Authority rules about automobile insurance fraud** at such times and in accordance with such requirements as may be prescribed by the Authority rules.*
- *121.0.1 (1) 8.2 Prescribing the information to be provided under subsection 101.3 (1) and prescribing requirements for the purposes of that subsection.*

What is a “fraud event”?

means a deceptive act or omission, or series of deceptive acts or omissions intentionally committed by a person(s) to obtain advantage, financial gain, or benefits beyond that to which one is entitled to with regard to any policy, claim, provision of goods or services or other occurrence related to automobile insurance, and for greater clarity includes instances of:

- I. Obtaining an automobile insurance policy through fraudulent means, including underwriting fraud;*
- II. Obtaining a benefit under a contract of insurance through fraudulent claims;*
- III. Providing goods or services to a beneficiary under a contract of insurance through fraudulent means or in a fraudulent manner;*
- IV. Fraudulent activity in the selling or distribution of insurance products; and*
- V. Fraudulent activity committed by internal employees of an insurer.*



Prescribed information under subsection 101.3(1) of the Act

- Includes **all** information including:
 - Personal information related to any policy, claim, provision of goods or services
 - Any other occurrence or event where the information provides reasonable grounds for the insurer to believe that a fraud event has occurred or is likely to occur.
- Provide all information **within thirty days** after the close of each quarter of the calendar year, including information on fraud events from the preceding quarter the insurer has taken action or made a decision based on reasonable grounds that a fraud event has occurred or is likely to occur.
- Insurer shall not disclose personal information that is not necessary for the purposes set out in the Act.
- Insurer shall de-identify all names and identifying numbers, symbols or other particulars assigned to individuals before an insurer provides the prescribed information unless necessary for the purposes set out in the Act.



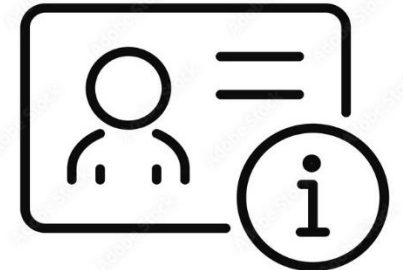
Reporting requirements – Prescribed information

- All prescribed information is complete, up to date, and factually correct.
- If the information the insurer provided is or has become incomplete, out-of-date, or factually incorrect shall:
 - inform FSRA of the deficiencies
 - take reasonable steps to remedy the deficiencies.
- Insurer must immediately give notice and recommend to FSRA to withdraw the information provided if the information:
 - includes deficiencies that cannot be remedied
 - fails to meet the threshold of the reporting requirement.
- Every insurer shall submit the prescribed information through FSRA's electronic or computer-based system for the filing, delivery or reporting of the prescribed information.



How much personal information is necessary for the purposes of subsection 101.3 of the Act?

- Insurers are not required to report personal information that is not necessary for the purposes set out in subsection 101.3(2) of the Act.
- FSRA interprets the statutory purpose, “assessing and detecting automobile insurance fraud” to enable FSRA to:
 - Quantify the prevalence of automobile insurance fraud in Ontario;
 - Create a baseline for fraud detection; and
 - Identify trends throughout the automobile insurance industry.



Supervision and Enforcement

- FSRA intends to supervise against the FRS Rule by using its investigation and examination powers under the Act. FSRA has the authority to:
 - Issue a compliance order to insurers; or
 - Lay provincial offence charges against insurers.
- FSRA will exercise its discretion when conducting its supervisory activities by considering the extent to which an insurer's fraud reporting system has been implemented effectively by management through policies, processes, systems and associated controls.
- For compliance, FSRA encourages insurers to design and implement a framework that encompasses the following elements:

Element	Description
Policies and Procedures	Include steps to identify and report information related to instances of automobile insurance fraud. These should be regularly updated to reflect any changes in the regulatory environment and/or emerging fraud trends.
Monitoring and Reporting Systems	Systems for monitoring and detecting fraud events. Systems should be capable of capturing and reporting the prescribed information in a timely and accurate manner.
Internal Audits and Reviews	Regular internal audits and reviews to assess the effectiveness of the fraud management framework.
Governance and Oversight	Strong governance structures with clear accountability and oversight mechanisms.

Category	Example
<p>Fraud perpetrated through underwriting fraud</p> <p>Fraud committed by persons which occurs when someone intentionally conceals or misrepresents information when obtaining insurance coverage</p>	<ul style="list-style-type: none"> • Policy misrepresentation such as falsifying information on the insurance application to gain a lower premium. This could include non-disclosure of drivers, residency, and mileage driven on vehicles • Quote manipulation (to generate the lowest premium)
<p>Fraud perpetrated through fraudulent claims</p> <p>Fraud committed by policy holder when a claim has been made on a policy</p>	<ul style="list-style-type: none"> • Falsely claiming damage to a covered automobile as a result of an auto accident when another caused the damage • Claim embellishment-exaggerated/fabricated vehicle contents, false car seat claims, false invoices for items (often to cover deductible)
<p>Fraud perpetrated by a service provider</p> <p>Fraud committed by persons who provide services to a policy holder after a claim has been made on a policy</p>	<ul style="list-style-type: none"> • Billing by practitioners for care that they never rendered • Auto body/repair shop that inflates cost of repairs/repairs areas that do not need repairs • Tow truck company that inflates cost of repair/bills for tows not needed • Re-VINing (stolen vehicles; reVINned with a registered VIN from another vehicle and sold or insured again)

Key Elements Guidance – Categories of Fraud (cont'd)



Category	Example
<p>Fraud perpetrated by selling or distribution of insurance products</p> <p>Fraud perpetrated by individuals directly involved in the distribution or sale of an insurance policy</p>	<p>Independent Agents/Brokers</p> <ul style="list-style-type: none"> • Backdating policy or misrepresenting true risk to assist the insured in gaining coverage and/or producing a gamified rate • Deliberately failing to disclose policy information to obtain a lower premium for the insured • Ghost brokering (selling fake pink slips, insured thinks they have insurance but they do not)
<p>Fraud perpetrated by internal employees of an insurer</p> <p>Fraud perpetrated by individuals employed within the insurance industry</p>	<ul style="list-style-type: none"> • Creating fictitious claims and orchestrating claim payments to the employee • Employees receive a kickback from a third-party vendor in exchange for engaging vendor services • Backdating transactions, not rating properly, insuring knowing impending claim

Type	Data point (example)	
Insured/policyholder	<ul style="list-style-type: none"> • Contact information <ul style="list-style-type: none"> ○ (name, address, phone number, email address) • Date of birth • Driver's licence number 	<ul style="list-style-type: none"> • Occupation • Vehicle ownership type: owned/financed/leased/rental
Insurance carrier	<ul style="list-style-type: none"> • Corporate contact information <ul style="list-style-type: none"> ○ (corporate name, address, phone number) • Policy number • Claim number 	<ul style="list-style-type: none"> • Agent/broker name and address • Policy duration • Status of the claim (ongoing, denied, withdrawn after investigation)
Accident information	<ul style="list-style-type: none"> • Date of loss • Time of loss 	<ul style="list-style-type: none"> • Location of loss (street address, city, province, country) • Cause of loss
Involved parties	<ul style="list-style-type: none"> • Insured and Claimant - contact information injury sustained • Vehicle information – VIN, make, model, year, owner, damage • Lawyer - contact information • Tow truck - contact information, and towing details • Auto body shop – contact information and repair detail 	<ul style="list-style-type: none"> • Medical Provider - contact information, • Medical Clinic - contact information, • Adjuster- contact information • Car Rental Co, Lienholder/Leaseholder, other Third Parties - (direct third parties to the claim or individuals acting on behalf of the policyholder for policy/claim purposes)

Key Elements Guidance – Data Elements (cont'd)

Type	Data point (example)
Cost	<ul style="list-style-type: none">• Estimated cost of the claim fraud• Estimated cost of the policyholder/underwriting fraud
Category/Fraud Details	<ul style="list-style-type: none">• Fraud perpetrated through underwriting fraud• Fraud perpetrated through fraudulent claims• Fraud by a service provider• Fraud through selling or distribution of insurance products• Fraud perpetrated by internal employees of an insurer• Fraud details/description

- You have an opportunity to comment on the Proposed Fraud Reporting Service Rule and Guidance.
- FSRA will be accepting submissions on our website until **Monday October 14, 2024.**
- FSRA will consider feedback in revising the Proposed Fraud Reporting Service Rule and Guidance, as appropriate.

Thank You

A recording of this webinar, transcript, copy of this presentation deck and answers to questions will be posted to the [webinars](#) page on FSRA website.