

# Auto fraud in the fast lane

*The old “fender-bender” has taken on a whole new meaning as organized gangs move in*

Now, thanks to organized criminal rings, a surprising number of accidents are actually staged. Bogus. Not so accidental.

“Phony car crashes and accidents are a multi-million-dollar business that has become a national problem,” says Robert Whitman, National Director for Insurance Bureau of Canada’s Injury Rings Investigative Unit.

“These complex schemes frequently involve organized criminals, tow-truck operators, paralegals and registered healthcare providers. What’s worse, staged collisions can also cause serious injuries and have deadly consequences.”

Whitman’s expertise as a senior fraud investigator is based on three decades of police work that included investigating welfare fraud, credit card fraud and organized crime.

There are several types of staged collisions that insurers have documented, he says, such as the swoop and squat, drive down, sideswipe, and the phantom vehicle.

In many cases, the fake accidents involve innocent drivers who are unaware of the scam.

Particularly dangerous is the swoop and squat, in which two cars box you in while driving. A third car quickly passes in front of you and then jams on the brakes, forcing you to rear-end the vehicle. These types of accidents, which occur mainly on highways, are difficult to control and can cause injury and death.



“We see the same kinds of staged collisions on a regular basis,” Whitman says.

“In some cases, scammers bring bags of glass and metal debris to the supposed accident scene to make it look more realistic. Or, they deliberately damage their car, claiming a hit-and-run driver did it.

In more elaborate schemes, a ‘runner’ recruits drivers and passengers to play roles in a carefully scripted, controlled crash. Bogus witnesses are positioned near the staged collision to support the criminals’ account and contradict the innocent driver’s testimony.”

Whatever the method, the goal is the same, says Whitman – to make money.

“Collision scams are occurring daily,” Whitman says. “The risk is low, the profits are high, and it’s costing us all.”

Most people in the insurance industry are aware of the numbers related to insurance crime and fraud. Auto theft costs about \$600 million a year, a figure that grows to more than \$1 billion when police, health officials and judicial services are factored in. (Insurance fraud has an estimated \$3 billion price tag each year, or roughly 10% to 15% of premiums).

Over the past two years in Ontario alone, there have been more than 70 projects related to investigating staged collisions, over-billing by rehab clinics, paralegal fraud and identity theft, at an estimated cost of at least \$15 million.

“We have documented proof that organized crime syndicates are involved, and that various groups may even be working together, sharing their unique abilities to get their criminal actions past the insurance industry’s frontline adjusting staff, insurance investigators and police,” he says.

“We’re pleased to report that our efforts have lead to successful convictions against organized rings and expect on-going investigations will lead to further arrests and convictions,” Whitman adds.

## Busted!

In a case typical of many such schemes, eight people, including a paralegal, were charged in connection with a staged auto accident scam. The claimants reported an auto accident that never occurred. Seven of the accused filed for and received benefits for the bogus accident, receiving a combined \$86,000 from two insurers.

The paralegal had coached the “accident victims” on how to describe their fake injuries and how to portray the symptoms. A health care practitioner charging for services never rendered was also involved.

If the claimants had not been caught, the total, final loss to the companies would have been over \$200,000 – an amount equal to the annual premiums of 154 drivers paying \$1,300 each.

So far, from July 1 of 2005, 54 criminal charges of insurance crime have been laid against 19 individuals. Nine paralegals have been removed from practice with the assistance of the Financial Services Commission of Ontario.