

Ghost Brokers, In-conversation: Andy Dykstra (Enterprise Fraud) and Bryan Gast (Équité Association)

Co-operators is committed to protecting our clients from insurance crime and fraud, which costs Canadians upwards of \$3-5 Billion annually.

Andy Dykstra, AVP Enterprise Fraud at Co-operators, invited one of Canada's foremost experts on insurance crime and fraud, Bryan Gast, VP Investigative Services at Équité Association, to discuss ghost brokers.

Hi, I'm Andy Dykstra, Associate Vice President of Enterprise Fraud at Co-operators. I'm here today with Bryan Gast, who's the Vice President of Investigations at Équité and we're going to be talking about insurance fraud and in particular, a form of insurance fraud that's related to misrepresentations on policies. We call it policies acquired by ghost brokers. And that might sound like an imaginary risk, but the risk is actually quite real.

Try to describe to me what a ghost broker is and what that means.

Ghost broker is a bit of an industry term Bryan, as you know. It really describes unlicensed insurance sales representatives selling policies in a way that's, essentially illegal. So by unlicensed it means they're not authorized to sell insurance policies for the company that they're purporting to represent. What they're doing is offering proof of insurance, and I say proof in quotes really because it's an insurance product that's flawed because it's rooted in misrepresentation. Their expertise is gaming insurance rates. The motivation for a ghost broker to do this is that they charge a side fee for their expertise. So again, their expertise is in gaming insurance premiums. And they charge a fee for that. And that's what the motivation is.

And who are these ghost brokers targeting?

So there's a couple of potential cohorts of parties. There's definitely a group of innocent victims. People who do not know that they're engaged in a transaction that's not legitimate. They don't appreciate that the persons that they're working with is unlicensed. And, they may believe that they're acquiring a legitimate insurance policy, and those are victims. There's also a group that has an appreciation that they're engaged in a transaction that has a lot of red flags. They're getting pricing that, might have been unheard of in their other quotes that they've got. There's other characteristics of it that's high risk that would suggest

that there's something not legitimate about it. So I would say that cohort of people, realize they're engaged in something that's high risk and possibly improper, and they're accepting that risk.

And what would a typical scam look like?

We really see the scheme manifesting in two ways. First instance is simply the provision of insurance documents that create the perception of having insurance. So that could be to produce in a law enforcement roadside stop, and there would be a liability slip. Or it could be, victimizing somebody who believes because they've acquired a liability slip, that they have legitimate insurance. The second and I will say more persistent scheme is actually acquiring an insurance policy through an insurers distribution channel, whether it be a digital platform, or over the phone. But the policy is rooted in deception. So there's been key misrepresentations in the policy that influence the rate. Bryan, we're detecting an increase in this behavior at Co-operators. What are you seeing from an industry standpoint?

We've absolutely seen an increase in these industry level investigations, not only for the ghost broker, but the unlicensed or with the unlicensed broker, but as well as the licensed broker. We've seen that across the board. It's organized. They're not just touching one particular insurer, but they are broad and many people are being affected by this. And definitely there's an industry exposure.

That's scary.

And what does it mean with these fake policies, what does it mean to the to the potential victims and the industry in general?

So in the instance where a person has simply acquired a piece of paper purporting to be proof of insurance, that's completely worthless. It's a document that they've paid for it doesn't connect to a legitimate policy, and when that person needs insurance coverage, it's not going to be available to them. When a policy's been acquired through misrepresentation, misrepresentation can impact coverage on an insurance claim. So the risk that is being taken in these instances is when you need your insurance coverage and the various misrepresentations that that coverage is rooted in are discovered, there may be impacts on coverage and an insurance claim, and that could ultimately make the savings

initially, and the transaction completely negated by the personal risk that the person now assumes because they don't have coverage.

The reality is they could face legal consequences, whether it be criminal charges or investigations, and depending on their involvement, as you mentioned before, some are unsuspecting and some are a little bit more complicit. And that's what we're absolutely seeing in these industry investigations. What are some of the common signs of a ghost broker that a consumer can watch out for?

Signs You're Dealing With A Ghost Broker

Price is too good to be true

Meetings not in an office

Personal email or phone numbers

Unfamiliar contact info on documents

Request for a side payment

So I would say the first, and I said this earlier too, if the price is too good to be true, be concerned. Then there's other circumstances. Some of the meetings might not be in a conventional office. There might not be any direct connection to a business or an insurer. So you're dealing with a personal email address or a phone number that doesn't connect to an apparent business. So they may ask to meet in public places instead of a formal office. When you see your policy documents, you might see that it's not your contact information that is included. It's contact information that's not familiar to you. So maybe connecting back to that ghost broker, they may want to be the point of contact for policy changes or for any communication from the insurer on the policy. Also, and again, this is probably one of the most key things. The request or requirement for a side payment. Insurance companies don't ask for a side payment or insurance brokers don't ask for a side payment, paid in cash or transferred electronically. But the main things are too good to be true and that side payment. And then what we're seeing is typically in the order of \$150, \$250, that's a payment for the manipulation of the premium that could render your policy invalid.

And what should somebody do if they feel that they've had interaction with a ghost broker,

or they've seen somewhere in social media or some advertisement that thinks that they're recruiting clients as a ghost broker in the concern. What should they do with that information?

If you are aware of or suspect that a potential Ghost Broker is operating in your community, take one of the following steps:

Call our Fraud Tip Hotline 1-833-320-3210

Email details to report_fraud@cooperators.ca

Report them to the Équité Association at 1-877-422-TIPS (English)

OR 1-866-422-4331 (service en français)

Call Crime Stoppers Canada at 1-800-222-TIPS

Bryan, if it's a ghost broker or any type of insurance fraud, I would encourage people to report that. You don't have to be 100% certain that it's insurance fraud. You have to have a reasonable amount of certainty. But understand that we have resources at Co-operators, we have a fraud investigation team that treats this very seriously and investigates the tips that we get. There's options at Co-operators to report this through a phone call, through an email, or through an anonymous form that we have available at cooperators.ca. I know that there's also options at Équité to report insurance fraud and through Crime Stoppers. Thanks for joining me here today Bryan. It's really important that I think we got this message out about the risk of ghost brokers. We've seen it increasing here at Co-operators. You've told us that within the industry it's an increasing risk. I know internationally it's an issue in other countries. So this is something that I think it might get more significant before it's eliminated. So important message. And I really thank you for helping me spread it today.

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